

Drinking Water State Revolving Fund

Annual Report 2015



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I. Introduction

The State of Missouri is pleased to submit this Annual Report for the Missouri Department of Natural Resources' (department) Drinking Water State Revolving Fund (SRF) program for the 2015 reporting period. This report addresses operation of the Drinking Water SRF program during the time period from October 1, 2014 through September 30, 2015.

The department provides this report detailing the activities undertaken to reach the goals and objectives set forth in the Intended Use Plans developed for 2015. This report documents the status of the program by describing progress made toward long and short term program goals, the sources (e.g., federal grants) and uses of all funds (e.g. loans), financial status of the Drinking Water SRF program, and compliance with Federal Drinking Water SRF requirements.

II. Executive Summary

This report addresses operation of the Drinking Water SRF program during the time period from October 1, 2014 through September 30, 2015.

The State of Missouri's Drinking Water SRF program was awarded a total of \$324,917,331 in Environmental Protection Agency (EPA) Capitalization Grants and Amendments through September 30, 2015. This amount does include an in-kind amount of \$1,444 on the FS997629-00 grant and the in-kind amount of \$100,000 on the FS997629-06, FS997629-08, and FS997629-11 grants. These amounts are not available to be drawn. During state fiscal year 2013, \$18,500,000 of Drinking Water SRF Capitalization Grant funds were transferred to the Clean Water SRF program. FS997629-07, FS997629-08, FS997629-09 and FS997629-10 Drinking Water SRF Capitalization Grants were amended to reflect this transfer of capitalization grant funds. In FFY 2014, \$5,000 was rescinded from the Drinking Water SRF Capitalization Grant.

The Drinking Water SRF program has contributed state match of \$53,863,466, which includes \$15,504,549 of state appropriations, net transfers of \$5,000,000 to the Clean Water SRF program, \$31,273,676 of revenue bonds and \$7,085,241 of funds contributed through rural water grants. Since the inception of the program, the State of Missouri has made 73 leveraged loan commitments totaling \$250,735,000. In addition, the department has made 56 direct loan commitments totaling \$91,663,200 and 43 grant commitments totaling \$37,781,283.

During this reporting period, no pooled leveraged loan closings occurred. Seven direct loans totaling \$7,893,000 were closed during the reporting period. Six SRF grants totaling \$5,271,463 were awarded during the reporting period. (Refer to the table on page 5).

The next page has a list of all the Drinking Water SRF Capitalization Grant awards from the inception of the program through the 2015 reporting period.

Drinking Water SRF Capitalization Grants

Drinking Water SRF Federal Fiscal Year	Award Amount	Cumulative
1997	\$21,856,417	\$21,856,417
1998	\$9,572,970	\$31,429,387
1999	\$10,034,771	\$41,464,158
2000	\$10,429,700	\$51,893,858
2001	\$10,472,900	\$62,366,758
2002	\$11,702,600	\$74,069,358
2003	\$11,633,700	\$85,703,058
2004	\$12,066,800	\$97,769,858
2005	\$12,041,273	\$109,811,131
2006	\$15,978,200	\$125,789,331
2007*	\$15,978,000	\$141,767,331
2008*	\$15,816,000	\$157,583,331
2009*	\$15,816,000	\$173,399,331
2010*	\$26,234,000	\$199,633,331
ARRA	\$37,862,000	\$237,495,331
2011	\$18,204,000	\$255,699,331
2012	\$17,348,000	\$273,047,331
2013	\$16,277,000	\$289,324,331
2014**	\$17,850,000	\$307,179,331
2015	\$17,738,000	\$324,917,331

*The original grant amount is listed in this table. These grants were amended.

**This grant amount reflects the federal rescission.

Below is a summary of Drinking Water SRF binding commitments. The cumulative total of Drinking Water SRF binding commitments as of September 30, 2015, is \$380,179,483. The Drinking Water SRF has never had a recipient default on any loan.

Binding Commitment Summary

Cumulative Binding Commitments	Amount
Leveraged Loans	\$250,735,000
Direct Loans (excludes Loan Paid w/LL)	\$91,663,200
ARRA Grants	\$18,948,152
SRF Grants	\$18,833,131
Total Binding Commitments	\$380,179,483

The Water and Wastewater Loan Revolving Fund, Fund 0602, was established to receive loan repayments, which are then used to make new loans. As of September 30, 2015, the Water and Wastewater Loan Revolving Fund had a balance of \$50,548,044. The Drinking Water SRF Capitalization Grant balance for Drinking Water SRF projects was \$35,785,300 as of September 30, 2015. The EPA Capitalization Grant balance related to the Drinking Water set-asides was \$12,302,153 as of September 30, 2015. The Drinking Water SRF Capitalization Grant Balance total is \$48,092,453.

III. Binding Commitments for 2015 Reporting Period

During the reporting period, Missouri chose to provide additional subsidization in the form of grants. Program funds were committed to eligible projects through a combination of up to 50 percent grant and the remaining portion as a loan with a maximum grant of \$2,000,000 per recipient. Disadvantaged communities were eligible for additional subsidization in an amount up to 75 percent of the project with a maximum grant of \$2,000,000 per recipient.

The department entered into seven direct loan commitments as well as six grant commitments totaling \$13,164,463 during the reporting period.

Drinking Water SRF Commitments During the 2015 Reporting Period

Recipient	Total Commitment Amount	Loan Commitment Amount	Grant Commitment Amount	Date	Project ID
Auxvasse	\$2,105,685	\$995,000	\$1,110,685	10/06/2014	DW291222-03
California	\$3,202,000	\$1,601,000	\$1,601,000	10/16/2014	DW291328-01
Platte County PWSD #3	\$892,000	\$446,000	\$446,000	10/16/2014	DW291315-02
Lathrop	\$2,506,000	\$1,258,000	\$1,248,000	10/20/2014	DW291195-02
Belton Phase II	\$2,718,000	\$2,718,000	\$0	09/14/2015	DW291314-03
Audrain Co PWSD #1	\$327,028	\$164,000	\$163,028	09/28/2015	DW291304-02
Jackson County PWSD #16	\$1,413,750	\$711,000	\$702,750	09/28/2015	DW291319-03
2015 Total	\$13,164,463	\$7,893,000	\$5,271,463		

IV. Cumulative Binding Commitments

Exhibit 1 provides a listing of the binding commitments since the inception of the program. The cumulative total Drinking Water SRF binding commitments on September 30, 2015, is \$380,179,483.

Since the inception of the Drinking Water SRF program, 172 binding commitments have been made. Of the 172 binding commitments entered into, 73 were leveraged loans, 56 were direct loans and 43 were grants. Three interim direct loans, which are not included in the binding commitment totals, were repaid and replaced with a leveraged loan.

The innovative financing provided through the Drinking Water SRF program allows communities to save a considerable percentage of the interest cost of conventional loans. To date, Missouri's Drinking Water SRF program has saved communities an estimated \$107,578,261 in lower interest compared to the higher interest rates of conventional financing. Additional subsidization through the Drinking Water SRF program has saved communities an estimated \$37,781,283 due to communities receiving grants.

V. Drinking Water SRF Applications and Loans Awarded

Below is a summary of the number of new and carryover Drinking Water SRF applications for the 2015 reporting period. This information was taken from the Intended Use Plan for Fiscal Year 2015.

Drinking Water SRF Applications	
Projects Accepted	2015 Reporting Period
Number of New Projects	18
Number of Carryover Projects	14
Total Number of Projects	32
Total Amount Requested of New Projects	\$44,035,961
Total Amount Requested of Carryover Projects	\$86,962,131
Total Amount Requested of Projects	\$130,998,092
Total Population Served for New Projects	66,297
Total Population Served for Carryover Projects	198,788
Total Population Served	265,085

The table below summarizes the number of projects approved, the amounts of the loans, grants and the total population served for those projects.

Drinking Water SRF Loan Projects Approved and Loans Awarded	
Projects Approved and Loans Awarded	2015 Reporting Period
Number of Projects Approved (Closed Loans)	7
Total Amount of Loans Closed	\$7,893,000
Total Amount of Grants Closed	\$5,271,463
Total Population Served	38,953

The following table shows the cumulative Drinking Water SRF leveraged loan closings since the beginning of the program.

Cumulative Drinking Water SRF Leveraged Loans				
Bond Pool	Number of Loans	Total Loan Amount	Average Subsidized Interest Rate + 0.5	Cumulative Amount
1998A	2	\$28,795,000	3.58%	\$28,795,000
1999A	1	\$2,315,000	3.57%	\$31,110,000
1999B	2	\$4,320,000	4.07%	\$35,430,000
2000A	6	\$20,490,000	4.01%	\$55,920,000
2000B	4	\$6,810,000	3.87%	\$62,730,000
2001A	4	\$6,295,000	3.43%	\$69,025,000
2001C	7	\$23,400,000	3.95%	\$92,425,000
2002A	4	\$10,370,000	2.93%	\$102,795,000
2002B	4	\$26,705,000	2.93%	\$129,500,000
2003B	4	\$11,445,000	2.68%	\$140,945,000
2003C	5	\$11,290,000	2.20%	\$152,235,000
2004B	2	\$3,605,000	2.13%	\$155,840,000
2004C	5	\$9,720,000	2.13%	\$165,560,000
2005A	3	\$28,105,000	2.27%	\$193,665,000
2005C	4	\$29,780,000	1.84%	\$223,445,000
2006A	3	\$2,000,000	2.05%	\$225,445,000
2006B	1	\$2,295,000	2.08%	\$227,740,000
2007A	6	\$11,805,000	1.83%	\$239,545,000
2007B	1	\$385,000	2.01%	\$239,930,000
2008A	5	\$10,805,000	2.13%	\$250,735,000

The table below summarizes the cumulative Drinking Water SRF direct loans since the program moved to the cash flow direct loans.

Cumulative Drinking Water SRF Cash Flow Direct Loans				
Period Ending	Number of Loans	Total Loan Amount	Average Subsidized Interest Rate + 0.5	Cumulative Amount
June 30, 2010	20	\$8,693,900	1.99%	\$8,693,900
June 30, 2011	5	\$2,692,900	2.37%	\$11,386,800
June 20, 2012	6	\$12,344,000	2.24%	\$23,730,800
June 30, 2013	9	\$7,153,600	2.08%	\$30,884,400
Sept. 30, 2014	6	\$30,090,000	2.03%	\$60,974,400
Sept. 30, 2015	7	\$7,893,000	1.82%	\$68,867,400

VI. Objectives and Goals of the Drinking Water State Revolving Fund

Each year the department evaluates the operations and the financial structures of the SRF program to gauge program's effectiveness. Long-term and short-term objectives and goals are proposed to improve program services and investment returns. An assessment of these goals is included in this report. The following sections present the current strategies for program improvements.

Long-Term Objectives and Goals

In order to meet the long-term objectives of improving the Drinking Water SRF's operations and service to its clients, the following goals were developed:

- 1) Protect public health by ensuring that all Missouri citizens will have water that is always safe to drink;
- 2) Provide below market rate financial assistance while assuring the perpetual nature of the program;
- 3) Encourage systems to choose projects with the most cost effective solutions;
- 4) Explore ways to make the program more affordable/desirable to systems;
- 5) Ensure the long term sustainability of existing and proposed water systems, and encourage projects to consolidate or interconnect in a regional manner which would reduce public health risks or make more efficient use of source water capacity and treatment processes;
- 6) Protect source water for drinking water systems;
- 7) To promote coordination of efforts both within and outside the agency for the purpose of expediting the funding of projects; and
- 8) Continue to implement and expand the Capacity Development Program.

Short-Term Objectives and Goals

In order to meet the short-term objectives of improving the immediate operations and the availability of services to its clients, the following goals were developed:

- 1) Maximize the use and impact of available loan funds for eligible projects in accordance with the priorities and procedures described in this plan, utilizing sound financial management;
- 2) Continue to assist water systems in meeting Safe Drinking Water Act requirements;

- 3) Identify sources of allowable state match for federal capitalization grants;
- 4) Have the Drinking Water SRF priority point criteria and readiness to proceed criteria updated and approved by the Safe Drinking Water Commission at least 60 days prior to the initial application receipt deadline (Feb. 15, 2015); and
- 5) Continue to identify projects that qualify for Green Project Reserve (GPR) funding, in accordance with federal guidance.

VII. Progress Toward Achieving Objectives and Goals

This section of the Annual Report discusses the progress that has been made in meeting those long- and short-term objectives and goals for the period from October 1, 2014 to September 30, 2015.

Progress Toward Meeting the Long-Term Objective and Goals

The department has developed the following long-term (3-5 years) goals with the objective of improving the Drinking Water SRF's operations and availability of services to its clients.

Goal 1: Protect public health by ensuring that all Missouri citizens will have water that is always safe to drink.

The department continues to meet this objective by providing affordable financing to public water systems to fund improvements to drinking water infrastructure. These improvements allow public water systems to continue providing safe, clean and abundant drinking water to the citizens of Missouri. The department has made a concerted effort to assist projects in moving towards funding. During the reporting period seven projects entered into funding commitments.

The department's Public Drinking Water Branch (PDWB) continues to provide oversight of all public water systems in the state to ensure compliance with the Safe Drinking Water Act. Missouri's community water systems consistently have higher compliance rates with health-based standards than the national average. PDWB uses set-aside funding to assist public water systems with compliance and public health issues by implementing and administering activities described in Section VIII of this report.

Goal 2: Provide below market rate financial assistance while assuring the perpetual nature of the program.

The "cash flow direct loan program" is functioning well. The department continues to evaluate the program structure to ensure the program provides a stable source of funding for drinking water infrastructure projects well into the future.

Goal 3: Encourage systems to choose projects with the most cost effective solutions.

The department coordinates with applicants throughout the process and thoroughly reviews the facility plans and scope of work for each project to ensure effective solutions are implemented.

Goal 4: Explore ways to make the loan program more affordable/desirable to systems.

The department actively searches for new forums, venues and opportunities to discuss the program and market it to potential applicants. This includes marketing at several conferences including but not limited to: Missouri Rural Water Association Conferences, Missouri Municipal League Conference, MWEA/MO-AWWA Joint Annual Conference, Missouri Water and Waste Conference.

Staff is also doing more one-on-one work with applicants to facilitate the projects moving through the process. This process has been successful in reenergizing many projects that appear to become stalled. During the reporting period seven projects entered into funding commitments. In addition, due to the increased demand for loans, the department transferred \$5,000,000 to the DWSRF from the CWSRF in FFY 2015.

Goal 5: Ensure the long term sustainability of existing and proposed water systems, and encourage projects to consolidate or interconnect in a regional manner which would reduce public health risks or make more efficient use of source water capacity and treatment processes.

The department's priority point criteria awards points for projects that ensure long term system viability. This leads to the funding of these projects and progress towards accomplishing this goal. Staff evaluates each applicant's technical, managerial and financial capacity (TMF). As projects are developed, staff works with the applicants to ensure that TMF will be maintained.

Applicants are also encouraged to include more than one method of accomplishing the project's objective. Staff then works with the applicant to select the method which best addresses this and other goals.

PDWB uses set-side funding to develop, update, and implement Missouri's Capacity Development Strategy, which is a comprehensive plan for assisting all public water systems with their technical, managerial, and financial viability. PDWB evaluates the TMF capacity of new community and nontransient noncommunity systems to ensure they can provide safe and adequate drinking water over the long term.

Goal 6: Protect source water for drinking water systems.

The department is actively involved with existing and future regional water systems. Each of these systems has protected long term sources of water. These systems are or will be located throughout the central, northern and southwestern portions of the state.

The department's priority point criteria also awards points for these types of projects. This increases the probability of the projects receiving funding.

The department uses set-asides to protect source water for public drinking water systems. Grants are made available to community water systems to develop source water protection plans, implement source water protection measures, and plug abandoned wells that pose a threat to the drinking water aquifer.

Goal 7: To promote coordination of efforts both within and outside the agency for the purpose of expediting the funding of projects.

Program staff has a collaborative working relationship with other department staff as well as other state and federal agencies in an effort to expedite project development and to make the most efficient use of available funding from each agency. This takes place through the Missouri Water and Wastewater Review Committee, comprised of the Department of Natural Resources, the Missouri Department of Economic Development Community Development Block Grant Program, and the U.S. Department of Agriculture Rural Development Program. These relationships assist in maximizing the environmental and public health impact of the limited available funding.

Goal 8: Continue to implement and expand the Capacity Development Program.

The department assists applicants on the review of their operations, financial stability, infrastructure needs, and to maintain or achieve compliance with Drinking Water Regulations.

PDWB uses set-side funding to develop, update, and implement Missouri's Capacity Development Strategy, which is a comprehensive plan for assisting all public water systems with their technical, managerial, and financial viability. PDWB evaluates the TMF capacity of new community and nontransient noncommunity systems to ensure they can provide safe and adequate drinking water over the long term.

Progress Toward Meeting the Short-Term Objectives and Goals

The department developed the following short-term (1-3 years) objectives and goals with the objective of improving the Drinking Water SRF's immediate operations and the availability of services to its clients.

Goal 1: Maximize the use and impact of available loan funds for eligible projects in accordance with the priorities and procedures described in this plan, utilizing sound financial management.

Program staff continues to work with applicants to achieve readiness to proceed status. The incorporation of readiness to proceed criteria in the review process has enabled projects to proceed to loan closing in a timely manner, thus enabling the program to maximize the use of available funds.

Staff is also doing more one-on-one work with applicants to facilitate the projects moving through the process. This process has been successful in reenergizing projects that appeared to have been stalled.

Goal 2: Continue to assist water systems in meeting Safe Drinking Water Act requirements.

As Safe Drinking Water Act requirements increase, staff works with systems to assure that projects will result in meeting or exceeding the requirements in an affordable manner. Financial Assistance Center staff coordinates with staff in the Public Drinking Water Branch to assure compliance. The Public Drinking Water Branch administers the Drinking Water SRF set-asides to provide technical and compliance assistance to public water systems.

Goal 3: Identify sources of allowable state match for federal capitalization grants.

The department continues to try to identify sources of state match. In February 2015, state match revenue bond series 2015A was issued by the Environmental Improvement and Energy Resources Authority (EIERA) to provide funding for new loans.

Goal 4: Have the Drinking Water SRF Priority Point Criteria and Readiness to Proceed Criteria updated and approved by the Missouri Safe Drinking Water Commission at least 60 days prior to the initial application receipt deadline (February 15, 2015).

This objective was accomplished on October 1, 2014.

Goal 5: Continue to identify projects that qualify for Green Project Reserve funding in accordance with federal guidance.

The department met the requirements for the FFY2010 and FFY2011 Green Project Reserve (GPR). Refer to Section XIV, Green Project Reserve for details of the GPR requirements and projects that were identified to have GPR project components which were applied towards the GPR requirement.

VIII. Set-Aside Activities

When Congress established the Drinking Water SRF in 1996, it included special provisions called “set-asides” for the purpose of helping states better achieve the public health protection objectives of the Safe Drinking Water Act. The set-asides provide funding to enhance state public drinking water programs and assist systems with non-infrastructure needs.

The Safe Drinking Water Act establishes four categories of set-asides and set limits on the maximum percent of the capitalization grant. States are allowed to reserve up to 31 percent of each year’s capitalization grant for set-aside activities. The set-asides are administered by the Public Drinking Water Branch. Each of the set-asides and the related activities the department has funded during the time period covered by this report are discussed below.

Administration and Technical Assistance Set-aside (4%)

The Safe Drinking Water Act allows states to use up to 4 percent of each capitalization grant for administration of the programs established under Safe Drinking Water Act §1452 (Drinking Water SRF Program) and for technical assistance to public water systems of any size. The

department reserved the entire authorized 4 percent allowed for this set-aside and used it for costs of administering the loan program and providing technical assistance to public water systems through engineering report services grants. Any unused amounts of the set-asides authority will be reserved for future set-aside expenditures.

Costs associated with administering the Drinking Water SRF Loan program included paying salaries and associated expenses of program personnel administering the loan fund. In the time period covered by this report staff used this set-aside to provide assistance to applicants and loan recipients, review projects, prioritize projects, issue loans, track repayments and perform project inspections. The department also uses this set-aside to obtain all equipment and training needed for the adequate performance of Drinking Water SRF loan program staff.

The department used this set-aside along with the Local Assistance and Other State programs set-aside and the Small System Technical Assistance set-aside to provide technical assistance in the form of Engineering Report Services Grants to community water systems. For a full description of the Engineering Report Services Grant program, please see the Small System Technical Assistance set-aside section of this report.

Small System Technical Assistance Set-aside (2%)

The Safe Drinking Water Act allows states to use up to 2 percent of each capitalization grant for technical assistance to public water systems serving 10,000 people or less. The department reserved the entire authorized 2 percent of the capitalization grant for this set-aside and used it to provide grants to water systems for engineering reports and plans and specifications. Unused amounts of this set-aside authority will be reserved for future set-aside expenditures.

Engineering Report Services Grant

During the time period covered by this report the department used this set-aside to provide grants to small communities to hire an engineer to develop an engineering report for the water system. The engineer performs a thorough evaluation of the system. This is a first step toward implementing changes that will help the system achieve and maintain technical, managerial and financial capacity, including compliance with the National Primary Drinking Water Regulations and the Missouri public drinking water regulations. Grant recipients must use a solicitation process to select an engineering firm. Upon proof of proper solicitation, the water system owner, the engineer, and the department sign a Three-Party Payment Agreement. Depending on the system's needs, recommended changes may include restructuring, regionalization, operational changes, treatment changes, infrastructure improvements, or other technical, financial, or managerial improvements.

The department has provided this assistance since 1999. The owners and operators of water systems recognize the need and value of an engineering review of their system but are often unable to afford the entire cost of obtaining the report. The department funds up to 90 percent of the cost of the report. In the case of disadvantaged communities, the entire cost of the report may be funded.

Determination of award percentage is based on priority and risk factors including deductions for incomplete applications, insufficient supporting documentation, populations above 3,300, and high report development costs relative to system complexity and population served. Potential awardees are also screened for technical, managerial and financial capacity items such as having properly certified operators, possessing or on track to obtaining a Permit to Dispense Water, and payment of primacy or other required fees. Applicants with the greatest need based on priority points are the first to be selected for award.

Initially limited to very small communities (3,300 population or less), the department has expanded this effort in recent years to include larger communities, and has also increased the amount of the grant awards. Systems that serve a population of 10,000 or greater and qualify for an Engineering Report Services Grant are funded from the 4% Administration and Technical Assistance or 15% Local Assistance and Other State programs (LA/O) set-asides.

Solicitation for grants awarded during the time period covered by this report (October 1, 2014 – September 30, 2015) was initiated on January 15, 2014, with a deadline of October 20, 2014 for submission of applications. The department received applications from 63 community water systems. Contracts were awarded to 48 systems. The water system and the engineering firm have seven months from the date the contracts are signed to develop the engineering report and submit it for review and approval to the department. Therefore, the deadlines for these reports are system-specific and range from November 10, 2015 to May 5, 2016.

FFY 2015 Engineering Report Services Grants Solicitation	Number	Amount
Applications Received	63	\$ 3,488,850.00
Contracts Awarded (To be expended incrementally over this and future years.)	48	\$ 1,268,894.15

Many water systems have utilized these grants as the initial step in a process ultimately leading to water system improvements, including TMF improvements and infrastructure construction projects. Below is a table showing TMF improvement and construction projects for systems that received Engineering Report Services Grants from 2008 through 2013.

Year	No. of Engineering Report Grants Awarded and Completed	No. of Construction/TMF Projects Initiated	% of Construction/TMF Projects Initiated
2008	26	18	69%
2009	18	7	39%
2009 ARRA	58	44	76%
2011	57	45	79%
2013	77	30	39%

Plans and Specifications Grants

In a new initiative during state fiscal year 2014, the department provided grants to community water systems serving populations of 10,000 or less to hire an engineer to develop plans and specifications for infrastructure improvements. This grant helps these small systems move more quickly toward being “shovel ready.” This is funded from three set-asides. The set-asides are 2% Small Systems Technical Assistance, 4% Administration and Technical Assistance, and 15% Local Assistance and Other State programs), with the bulk of the funding coming from the latter.

The department provides grants for up to 45% of the cost of engineering plans and specifications. Systems that apply and are eligible for a Drinking Water SRF loan may also qualify for an additional 45% grant. The department received applications from 59 water systems in FFY 2014 for the current round; however a new round of applications was not scheduled for FFY 2015. Grant contracts were awarded to 16 systems in FFY 2015. The water system and engineering firm have seven months from the contract date to develop the plans and specifications, and submit them to the department for approval. Therefore the deadlines for submission are system specific, ranging from December 7, 2014 to May 5, 2016. Payment is made on a reimbursement basis.

FFY 2015 Plans and Specifications Grants Awarded	Number	Amount
Applications Received	0	Note: Applications for this round were received in FFY 2014
Contracts Awarded (To be expended incrementally over this and future years.)	16	\$869,433.67 Note: an additional \$219,249.61 is on hold for systems that may qualify for extra 45% grants.

Public Water System Supervision Program Management Set-aside (10%)

States can use up to 10 percent of each capitalization grant for the Public Water System Supervision (PWSS) program. The state must provide a one-to-one state match in order to use this set-aside. The department uses the state primacy fee to provide an in-kind match for this requirement.

The department reserved the entire 10 percent of this set-aside. The department primarily uses this set-aside to support required primacy program activities but it is also used to fund staff and activities for operator certification, capacity development, and source water protection. Any unused amounts of the set-aside authority will be reserved for future set-aside expenditures.

During the time period covered by this report the department also used this set-aside to administer the following outside contracts:

- Improved permit tracking system called Safe Water Environmental Permit Tracking (SWEPT);
- Electronic sanitary survey tool called Safe Water Information Field Tool (SWIFT);
- Safe Water CCR (SWCCR) which creates annual Consumer Confidence Reports for community water systems. CCRs are then hosted on the department's website for water systems to adopt or modify to better facilitate electronic or other delivery to water customers.

Primacy Program

The set-aside provides funding critical for the administration, implementation and enforcement of public drinking water primacy requirement. The department uses this set-aside to support primacy program activities such as program administration, rule development, primacy applications, compliance and enforcement, inspections and sanitary surveys, information and data management, reports, record keeping and all other activities required of a primacy program. The department also uses this set-aside to administer the following outside contracts:

- Safe Drinking Water Information System (SDWIS)/State updates and maintenance for reporting to EPA;
- Identify and evaluate impacts of emerging contaminants to help water systems prepare for new regulatory requirements.

Local Assistance and Other State Programs Set-aside (15%)

The Safe Drinking Water Act allows states to set-aside up to 15 percent of the Drinking Water SRF capitalization grant for the following activities:

- Special loan programs for source water protection;
- Technical and financial assistance to public water systems as part of a Capacity Development Strategy; and
- Establish and implement a wellhead protection program under Section 1428 of the Safe Drinking Water Act.

For the period covered by this report, the department set aside 15 percent from the capitalization grant to support capacity development, wellhead protection and source water protection activities. The department has not established a loan program for source water protection.

Activities funded by the department with this set-aside during the time period covered by this report include the following:

- Contracting for circuit riders to provide training and technical assistance to water systems;
- Contracting for training to water district board and city council members;
- Operator certification vouchers to water systems to pay operators' training and certification costs;
- Partially funding grants to community water systems for engineering report services;

- Partially funding grants to community water systems for development of plans and specifications;
- Grants to community water systems that use ground water and plug abandoned wells that may threaten the aquifer;
- Grants to community water systems for source water protection;
- Development and distribution of source water and wellhead protection information;
- Contract with the University of Missouri for maintenance of public water system source water assessment and delineation information; and
- Studies to assist small community water systems with disinfection by-product compliance issues.

Circuit Riders

The department currently has four circuit riders under contract to provide assistance to water systems. While they are each directed to focus on certain types of activity due to special skills and access to specialized equipment, they are all qualified to, and regularly do, provide service related to many different issues in order to efficiently cover the entire state.

Operator Certification

One of the circuit riders focuses primarily on providing certified operator training courses. This is the fifth year of funding for this effort. Initially, this circuit rider concentrated on systems that lacked having the required certified operator. This included providing pre-certification training courses to help operators prepare to take an operator certification examination. This approach proved successful in bringing these systems into compliance with operator certification requirements; and has been broadened to include operators of other small systems that are in need of training and other technical support.

The circuit rider provides multi-day training on water system treatment, distribution, small system needs, managing assets, and similar topics. Training courses offered during the time period covered by this report are listed in the following table. Persons may enroll for treatment only, distribution only, or both. The attendance numbers reflect total attendance for any or all segments of the training.

During FFY 2015 the contractor requested and received permission from the department to temporarily re-assign the current circuit rider to other duties, necessitated to meet other obligations following the unexpected passing of another staff person. The circuit rider conducted scheduled training courses, but did not perform other operator certification duties from January through April of 2015.

FFY 2015 Operator Certification Training Courses Conducted			
TOPIC	DATE	LENGTH (DAYS)	ATTENDANCE
Drinking Water Treatment and Distribution	March 2015	8	19
Drinking Water Regulation Update	March 24, 2015	1	26
Drinking Water Regulation Update	April 16, 2015	1	29
Water Distribution Certification	June 2015	8	4
Managing Water System Assets	Nov. 18, 2014	1	23
Managing Water Systems Assets	Dec. 9, 2014	1	20
Managing Water System Assets	Dec. 11, 2014	1	25
Managing Water System Assets	Dec. 16, 2014	1	25
Managing Water System Assets	Jan. 13, 2015	1	12
Managing Water Systems Assets	Jan. 14, 2015	1	10
Managing Water System Assets	Jan. 21, 2015	1	22
Managing Water System Assets	Jan. 22, 2015	1	24
Water Math Refresher Class	Feb. 19, 2015	1	15



Precertification Training Course



Pre-certification Training Course students at raw water low service pump station

Courses provided by the operator certification circuit rider during the time period covered by this report include pre-certification training for persons preparing to take the operator certification exams. Training is not required in Missouri prior to taking the exam. Many persons choosing to take the exam without training fail to pass. Seventy percent of participants in the pre-certification courses passed their certification exam on the first attempt.

The operator certification circuit rider also provided more than 127 training and technical assistance contacts on diverse, basic operational issues, such as chemical pump settings, dosage calculations, colorimeter residual testing for chlorine, chlorine, turbidity, disinfection by-product reduction strategies, backwash, process control monitoring for improved operations, jar testing for determining effectiveness of different chemicals and doses, total coliform sampling, transitioning from chloramines to free chlorine for 4-log virus inactivation, and membrane filter premature clogging.

Water Loss

Using modern leak correlation equipment, the circuit rider identified 57 leaks at 47 public water systems during the time period covered by this report.

At least 46% of the systems promptly repaired the leaks, resulting in a savings of approximately 13 million gallons per month and \$7,077 monthly savings in electrical and chemical costs that would otherwise have been incurred by production of this nonrevenue water. The cost estimate does not include such things as wear and tear on pumps, cost of equipment, labor, materials, and customer inconvenience. Additional systems may have repaired leaks later that were not reported.

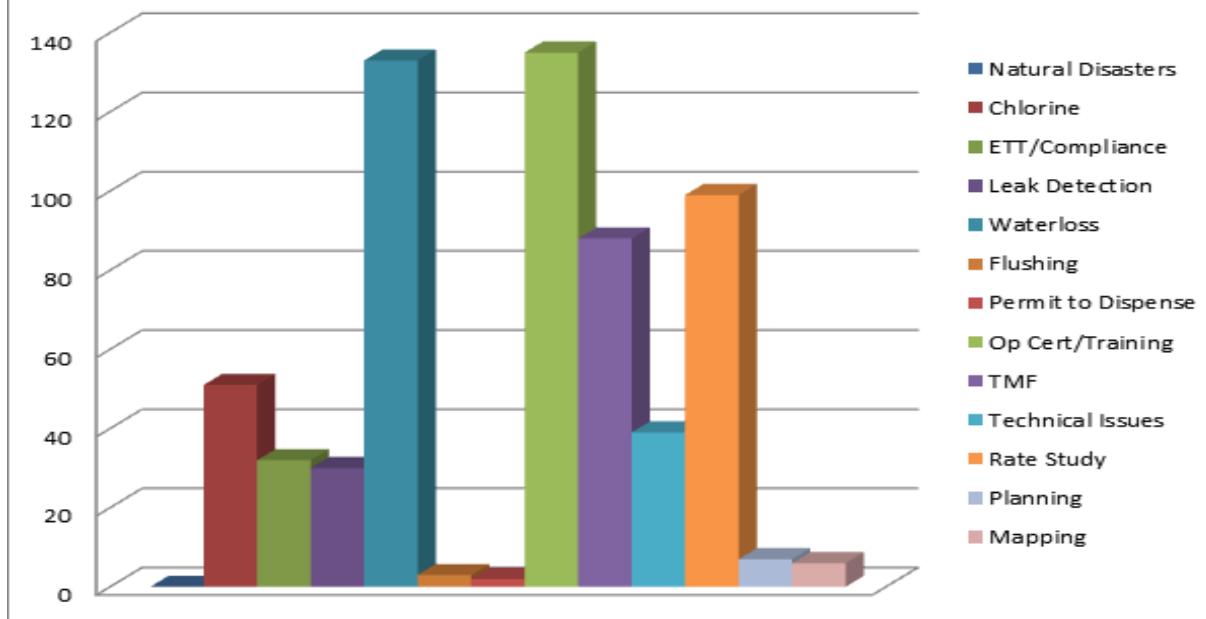


Unaccounted for water loss can be the result of faulty meters rather than leaky water mains. This photo shows meter testing for the purpose of checking for water loss.

Compliance and Technical Assistance

Circuit riders also provided assistance on compliance and technical, managerial and financial (TMF) capacity issues. Efforts were focused primarily on new systems, systems with violations, systems that have not changed water rates lately and systems that have difficulty obtaining resources to achieve and maintain technical, managerial, and financial capacity.

Number of Assistance Efforts Provided for each Assistance Type - FFY 2015



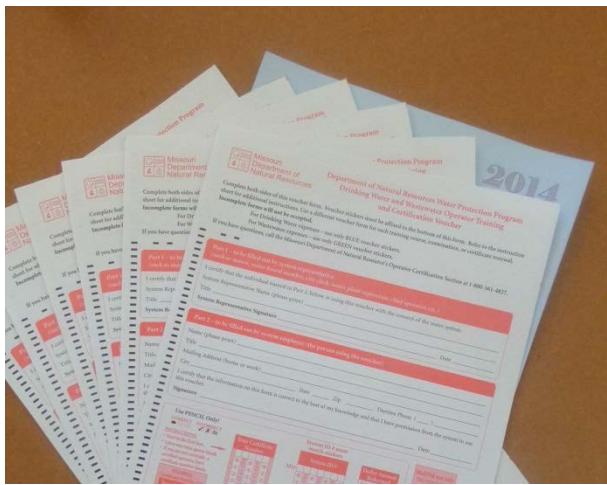
One circuit rider also focused on two specialized areas where small systems needed help with Compliance Monitoring Plans (CMP) required by the Stage 2 Disinfectants and Disinfection By-product Rule (D/DBP) and chlorine residual monitoring by providing technical assistance to systems that had not completed or submitted a CMP with the necessary information to begin monitoring at specific locations in the distribution system.

Board and Council Member Training

Beginning in 2014 the department contracted with a training and technical assistance provider to conduct workshops to water district board and city council members and other community water system decision makers on the managerial and financial responsibilities of running a water system. Each workshop provided four to six hours of training. They were held on a weekday or on Saturday in various locations throughout the state. The agenda included basic water system operations, water system legal ownership and accountability, laws, regulations, rate setting, and other business best practices. Eleven workshops were attended in FFY 2015 by 171 persons.



Operator Certification Vouchers



Since 2012 a significant use of this set-aside has been drinking water operator certification and training vouchers. This set-aside replaced EPA's Expense Reimbursement Grant which had been funding the voucher program since 2004. The department issues drinking water training vouchers annually to nearly 1,500 community and non-transient non-community water systems serving 3,300 people or less. The vouchers can be used to pay for operator certification fees and eligible drinking water training fees. The water system determines which of its personnel can use the vouchers, which gives the systems the flexibility to

manage the vouchers in a manner that best meets its needs. Vouchers can be used for renewal training of existing operators or used for expenses related to a new person becoming certified.

Drinking water distribution systems receive \$625 and treatment systems receive \$950 in voucher funds. The amount of funds allocated to each system is determined by the system's classification (Distribution or Treatment). A system's specific classification is based on several factors, including population, complexity of treatment and type of source water. The system classification also determines the level of certification required for the chief operator.

In the time period covered by this report 935 certified operators representing 689 drinking water systems have used vouchers. Uncertified individuals also used vouchers for training in an effort to become certified. Processed vouchers totaled \$224,730 for the time period covered by this report. The average monthly expenditure for vouchers is about \$18,728.

Wellhead and Source Water Protection

The department continued funding four wellhead and source water protection activities with set-asides in the time period covered by this report.

In 2008 the department began awarding grants to community water systems to plug abandoned wells that threaten or may threaten the water system's source of supply. These wells provide a conduit for contaminants to enter groundwater. Groundwater sources supply water for about 85 percent of Missouri's community water systems. Preventing contamination before it happens through proactive activities like plugging abandoned wells is more cost-effective than trying to clean up an aquifer after it has been contaminated or providing additional treatment at the system.

During the time period covered by this report, the department awarded eight ground water systems with grants totaling \$33,920 for plugging domestic and public wells, along with production and distribution of informational and educational materials designed to raise awareness of the dangers posed by abandoned water wells.

The department initiated a source water protection grant program in 2006. The first grants were awarded in 2007. Grants awarded through this program may be for groundwater protection or surface water protection. Surface water protection awards are made as part of the capacity development strategy. Awards made to ground water systems are part of wellhead protection program. In the time period covered by this report, the department awarded eight grants to community water systems for projects that included security measures around wellhead sites (fencing, lights, cameras, etc.), development of source water protection plans, and implementation of source water protection measures. Grants totaling \$161,241 were awarded to these projects.

The third wellhead and source water protection activity funded by this set-aside is the development and distribution of informational and educational materials. This includes revised application forms, Frequently Asked Questions, and a source water protection newsletter called "The Source Protector." This bi-annual newsletter, first published in spring 2013, is targeted toward public water system operators, water supply district board members, municipal council members, and other individuals or entities that have a stake in protecting and preserving drinking water sources in Missouri. The newsletter provides a medium for sharing information about general and specific aspects of source water protection, including highlighting successful case studies from around the state, and promoting source water protection grant opportunities.

The department has continued its contract with the University of Missouri's Center for Applied Research and Environmental Systems (CARES) for maintenance of public water system source water assessment and delineation information. CARES maintains maps of Missouri public water systems, showing well locations, potential contamination sites, and other data. The maps and water system information is available to interested persons who know the water system's identification number. This information is used by public water system staff and the communities they serve as a foundation upon which they can develop and implement local, voluntary source water protection programs. Department staff uses this information as a general reference with respect to water system facility locations and for other site-specific locational information.

Disinfection By-product Monitoring and Compliance Studies

Many Missouri public water systems are seriously struggling to comply with the Stage 2 Disinfectants and Disinfection By-product Rule. The department continued its contract with the University of Missouri Research Center to explore the causes of disinfection by-product formation at small community water systems with Stage 2 compliance issues, and to recommend solutions. Achieving compliance is difficult for small systems because formation of disinfection by-products is complicated and specific to the characteristics of each raw water source, treatment plant configuration and overall water plant operational practices.

Civil and Environmental Engineering staff and students from the university visit each system multiple times, and utilize a two-phase process of extensive testing and analysis to develop recommendations for reducing DBP levels which are unique to each participating water system. The first phase of the project, which lasts about one year, is a detailed evaluation of all aspects of the system's treatment process, including multiple testing events in various locations in the treatment process and in the distribution system. Next the research staff analyzes the data and

develops recommendations for each system. A final report is generated and presented to the water system which may include recommendations for source water management techniques, changes in treatment chemicals, changes in chemical injection locations, more robust jar testing procedures, construction of additional treatment basins, aeration in finished water storage facilities and converting free chlorine residuals to chloramines.

Since 2012 when this initiative was started there have been 10 surface water systems and two ground water systems that have volunteered to participate. The systems were chosen because of their inability to consistently meet Stage 2 requirements and because of the likelihood that they will adopt the recommendations. The department receives the engineering evaluations and recommendations as well.

Summary of Set-Aside Spending in FFY15 and Ending Cash Balances

On February 2, 2013, the department submitted a spending plan to EPA Region 7 to address projected use of set-aside balances. EPA accepted the plan in April of that year. The department continues to implement and administer the activities identified in the spending plan and listed below. The table below provides ending balances and set-aside expenditures for the federal fiscal year (FFY) covered by this report October 1, 2014 through September 30, 2015. Ending cash balances include additional capitalization grants as they are received and, therefore, may not necessarily decrease with a given fiscal year.

Set-aside Ending Cash Balances, October 1, 2014 through September 30, 2015					
Ending Cash Balances	Program Administration and Technical Assistance	Small System Technical Assistance	Public Water System Supervision	Local Assistance and Other State Programs	Ending Cash Balances: All Set-Asides
FY13 Ending Cash Balances as of September 30, 2015	\$39,746	\$40,354	\$202,602	\$130,584	\$413,287
FY14 Ending Cash Balances as of September 30, 2015	709,200	357,100	1,785,500	2,646,727	5,498,527
FY15 Ending Cash Balances as of September 30, 2015	709,520	354,760	1,773,800	2,660,700	5,498,780
Ending Cash Balances as of September 30, 2015	\$1,458,466	\$752,214	\$3,761,902	\$5,438,011	\$11,410,594

Contracts, Grants and Other Project Funded by Set-asides, October 1, 2014 through September 30, 2015					
	Program Administration and Technical Assistance	State Program Management (Public Water System Supervision)	Small System Technical Assistance	Local Assistance and Other State Programs	Total
3-Party Engineering Contracts (Preliminary Engineering Reports)	\$87,689	\$0	\$162,730	\$167,462	\$417,880
3-Party Engineering Contracts (Plans & Specifications)	\$105,751	\$0	\$242,494	\$837,350	\$1,185,595
Grants to Water Systems					
a) Well plugging grants					
b) Source water protection	\$0	\$0	\$0	\$154,594	\$154,594
Technical Assistance to Water Systems (circuit riders)	\$0	\$0	\$0	\$233,997	\$233,997
Operator Certification Training Vouchers (PSD)	\$0	\$0	\$0	\$224,730	\$224,730
Operator Certification Training Voucher EE Costs	\$0	\$0	\$0	\$5,985	\$5,985
MO Science & Technology Contract	\$0	\$176,729	\$0	\$0	\$176,729
MO CARES Contract	\$0	\$0	\$0	\$30,450	\$30,450
GEC Contract	\$0	\$168,979	\$0	\$0	\$168,979
Safe Water Engineering Permit Tracker (maintenance)	\$0	\$8,600	\$0	\$0	\$8,600
Safe Water Information Field Tool (maintenance)	\$0	\$11,209	\$0	\$0	\$11,209
Disinfection By-Product Removal Study	\$0	\$0	\$0	\$84,968	\$84,968
Source Water Protection & Well Plugging materials	\$0	\$0	\$0	\$549	\$549
Increased Contractual TA (supplemental circuit rider)	\$0	\$0	\$0	\$0	\$0
Comprehensive Performance Evaluation Training for Staff	\$0	\$0	\$0	\$0	\$0
Board and Council Training	\$0	\$0	\$0	\$18,539	\$18,539

IX. Maintaining Drinking Water SRF Financial Assistance Programs

The department operates a number of financial assistance programs for drinking water infrastructure.

Financial Assistance Programs

Direct Loans

The Drinking Water SRF Direct Loan program is the primary financial tool used by the department to fund public drinking water improvements. For the 2015 reporting period, the department reserved 69 percent of the annual capitalization grant for direct loans and grants (grants are discussed in the next paragraph). The subsidy rate for all loans awarded during this reporting period was 70 percent of the market interest rate. In this reporting period, the department awarded \$7,893,000 of direct loans to seven different drinking water systems. These loans all have a 20 year term.

Grants

For FFY 2015, the Drinking Water SRF capitalization grant requires that not less than 20 percent or not more than 30 percent of the capitalization grant shall be used to provide additional subsidies. For this reporting period, the department reserved \$3,828,073 of the capitalization grant for additional subsidies in the form of Drinking Water SRF grants. Drinking Water SRF grant funds were awarded to eligible, non-disadvantaged communities' projects through a combination of up to 50 percent grant and a direct loan for the remaining project amount, with a maximum grant of \$2 million per applicant. The department offered a higher percentage grant for disadvantaged communities. A disadvantaged community is any community with a population of less than 3,300, whose user rates will be at or above 2 percent of the recipient median household income and the recipient median household income is at or below 75 percent of the state average as determined by the most recent decennial census. Projects for a disadvantaged community may be funded through a combination of 75 percent grant and 25 percent loan with a maximum grant of \$2 million per applicant. In this reporting period, the department awarded \$5,271,463 of grants to six different drinking water systems.

Order of Priority for Distribution of Loan and Grant Funds

For this reporting period, the department developed written criteria to prioritize the ranking of projects for loans and grants so that the most serious problems were given the highest priority. Consistent with the Federal Safe Drinking Water Act, priorities are based on protection of public health, compliance and household affordability. The Safe Drinking Water Commission approves the criteria after public review. Further, it continued to be the department's intention to provide priority of financial assistance to communities that could not otherwise afford conventional financing. To meet this goal the department used the following criteria listed in order of priority:

1. Projects serving disadvantaged communities on any fundable list based on priority ranking in the order of highest ranking;

2. Projects on the Very Small Community 20 percent Reserve Fundable List based on priority ranking;
3. Projects on the Small Community 15 percent Reserve Fundable List based on priority ranking; and
4. Projects on the General Community 65 percent Reserve Fundable List based on priority ranking.

Available capitalization grant funds, state match revenues, interest earned and grant funds for this reporting period were allocated to new projects according to priority ranking. Projects that had a priority ranking too low to be funded were placed on a contingency list.

Project Reviews

Drinking Water SRF Loans and Grants

The initial deadline date for receipt of new projects for Missouri's Drinking Water SRF Loan program for 2015 was February 15, 2014. To maximize the use of available funds, late applications are accepted all year round.

Initially, the department reviewed all applications received to determine if the proposed project is an eligible activity and the applicant meets the financial requirements. Eligible projects were then priority ranked as described above and included in the state's Intended Use Plan. Those projects that are technically eligible but cannot meet the financial requirements of the SRF Loan program are invited to participate in other state and federal loan and grant programs. Before loan closing, the department will review the applicant's financial capacity, engineering documents, environmental documents, contracts and ordinances for compliance with state and federal requirements. The department enters into binding commitments and loan agreements after the applicants complete all requirements.

Section 640.107 of the Missouri Safe Drinking Water statute requires that eligible projects for Drinking Water SRF loans for systems serving less than 10,000 people shall be given priority consideration for no less than 35 percent of the available funds. The statute further states that eligible projects for loans for systems that serve 3,300 people or less are given priority consideration for at least 20 percent of the total available loan money.

The department received its first Drinking Water SRF funds in FFY 1997. This included both the 1996 and 1997 capitalization grants, which were made available for applications received in state fiscal year 1998. The subsidy rate for Drinking Water SRF loans has changed over the years. The total available loan funds and the applicable subsidy rate for each year are listed on the next page:

Fiscal Year	Subsidy Rate	Funds Available for Loans (in Millions of Dollars)
1998	33 1/3%	\$29
1999	33 1/3%	\$30
2000	33 1/3%	\$156
2001	33 1/3%	\$155
2002	50%	\$104
2003	50%	\$72
2004	70%	\$64
2005	70%	\$40
2006	70%	\$30
2007	70%	\$30.2
2008	70%	\$40
2009	70%	\$63.7
2010	70%	\$95.9
2011	70%	\$50.7
2012	70%	\$70.6
2013	70%	\$124.1
2014	70%	\$101.8
2015	70%	\$136.3

In this reporting period, the department awarded seven direct loans and six grants to seven water systems for a total amount of \$13,164,463. Of the total amount for 2015, approximately 66 percent of the loan funds and 100 percent of the grant funds went to systems serving populations of less than 10,000.

As of the end of the 2015 reporting period, the department has awarded a cumulative total of 129 drinking water loans and 43 grants to 104 different community public water supply systems for a total of \$380,179,483. Of the 172 loans and grants awarded, 99 loans and 38 grants were awarded to water systems serving populations of less than 10,000. These 137 loans and grants totaled \$174,735,983 or approximately 46 percent of the total. Therefore, the amount of the SRF loan program funds awarded to systems serving less than 10,000 is above the minimum 35 percent required by the Missouri Safe Drinking Law, and well above the 15 percent minimum required by Federal Safe Drinking Water Act. Exhibit 1 summarizes the leveraged and direct loans awarded since the beginning of the program.

Each loan recipient is an eligible community water system. Projects included expenditures of a type that facilitate compliance with the Safe Drinking Water Act and advance the public health purposes of the Safe Drinking Water Act.

The following tables summarize the loans awarded in this reporting period, including the need category related to each project.

Drinking Water SRF Loans Awarded in the 2015 Reporting Period						
	Amount Awarded	Project Categories				
		Source	Treatment	Storage	Transmission/ Distribution	Other
Audrain County PWSD #1	Loan: \$164,000 Grant: \$163,028				X	
Auxvasse	Loan: \$995,000 Grant: \$1,110,685	X			X	
Belton Phase II	Loan: \$2,718,000			X	X	
California	Loan: \$1,601,000 Grant: \$1,601,000	X		X	X	
Jackson County PWSD #16	Loan: \$711,000 Grant: \$702,750			X		
Lathrop	Loan: \$1,258,000 Grant: \$1,248,000			X	X	
Platte County PWSD #3	Loan: \$446,000 Grant: \$446,000				X	
Total for 2015	Loan: \$7,893,000 Grant: \$5,271,463					

The following tables provide a description of Drinking Water SRF projects awarded in this reporting period.

Drinking Water SRF Project Approved in the 2015 Reporting Period	
Water System Name Award Amounts \$	Project Description
Audrain County PWSD #1 \$327,028	The project includes providing water service for the Oak Crest Trailer Park by replacing existing water mains with approximately 2,319 feet of six inch diameter water mains and installing approximately 1,530 feet of three quarter inch water main.
Auxvasse \$2,105,685	The Project includes the addition of a new well, rehabilitation of Well No. 4, abandonment of Well No. 3, installation of 8", 6" and 4" diameter water lines.
Belton Phase II \$2,718,000	The installation of approximately 4,300 feet of 16 inch diameter ductile iron pipe to provide better looping and a direct route from the new tower to rest of the City's water system. Improvements are proposed to the Holmes Road Booster Pump Station to update old equipment and improve station efficiency. Rehabilitation of the existing 300,000 gallon elevated storage tank is also part of the Project.

California \$3,202,000	Construction of a 600,000 gallon elevated water storage, a new gravel access drive to serve the storage tank, the addition of approximately 3,380 lineal feet of 12-inch water main, rehabilitation work for the existing one million gallon storage tank, new supervisory control and data acquisition (SCADA) system to the new and the five existing well houses.
Jackson County PWSD #16 \$1,413,750	The project includes a new elevated storage tank with the capacity of 500,000 gallons and approximately 140 feet of 12 inch diameter water line to connect the tank to the distribution system. The Water and Wastewater Loan Revolving Fund is only funding the cost of a 400,000 gallon tower; the District is funding the additional costs.
Lathrop \$2,506,000	Includes a new 300,000 gallon elevated water storage tank, equipment necessary to isolate and discontinue the use of the existing 50,000 gallon elevated tank, installation of a new remote supervisory control and data acquisition (SCADA) terminal at the new elevated tank, the installation of approximately 23,000 feet of various diameter water mains and all the necessary appurtenances to complete the project and have a usable system. Also included is the purchase of an approximate 1.5 acre parcel for the new elevated water storage tank.
Platte County PWSD #3 \$892,000	Project includes the addition of approximately 23,720 linear feet (lf) of six-inch (6") water mains, 24,570 lf of four-inch (4") water mains, 2,000 lf of two and half-inch (2.5") water mains, and 43,730 lf of two-inch (2") water mains to extend service to existing residence and farms not currently served by the District. In addition, the project consists of 300 linear feet of six-inch (6") water main being replaced at the Bee Creek crossing. The proposed project will include one (1) new pressure control vault and a modification to an existing pressure control vault.

X. EPA Recommendation on Performance Evaluation Report/Annual Program Review

Staff from EPA Region 7 conducted an on-site program evaluation of the state fiscal year 2014 Drinking Water SRF program on May 5 through May 7, 2015. The final draft program evaluation report for the SRF program included the following recommendations and observations:

1. With the exception of timely and expeditious use of funds, Missouri is in compliance with the rules and regulations of the SRF program.
2. Missouri provided a May 7, 2015, letter entitled Missouri DWSRF ULO Update. EPA considers this letter as responsive to the 2013 request for an expenditure plan for set-aside ULO and for loan ULO in order to meet the provisions of April 14, 2014, Memo DWSRF Unliquidated Obligations (ULO) Reduction Strategy. EPA will hold quarterly discussions with MDNR on the status of ULO.

3. EPA Region 7 appreciated MDNR's presentation on how cash flows through the SRF, with emphasis on invoicing, disbursements, and internal controls related to SRF payments.
4. EPA values the discussion on Set-Asides in the 2014 Annual Report; the Local Assistance and Other state programs section was particularly effective in showing detailed accomplishments and outcomes. We encourage this level of detail in future reports on Set-Asides.
5. Missouri continues to thoroughly review disbursement requests, and files are well documented. No improper payments were found during the cash draw transaction testing.
6. Missouri has agreed to provide additional detail in future ARs for additional subsidy and GPR as noted above.
7. As a follow-up to the 2013 PER, EPA requests that the FFATA information be included in future annual reports. The Federal Funding Accountability and Transparency Act (FFATA) requirement for FFY 2013 has not been fully met. EPA understands that MDNR projections indicate this requirement will be satisfied as Missouri issues new loans.

XI. Policy Summary

The department has implemented regulations and policies to ensure the long term fiscal health of the Drinking Water SRF, attain and maintain compliance with the Safe Drinking Water Act and carry out other provisions of the law. The department protects the financial health of the Drinking Water SRF by reviewing the creditworthiness of applicants, attaining proper surety and cross-collateralization.

- ◆ Water Protection Program's Financial Assistance Center and the Environmental Improvement and Energy Resources Authority review the creditworthiness of applicants to make sure they can safely meet their obligations in the loan program.
- ◆ As a form of surety, publicly-owned entities must offer revenue or general obligation bonds. Privately-owned entities may offer other appropriate forms of surety. To date, the department has not entered into loan agreements with privately-owned systems.
- ◆ The Drinking Water SRF is cross-collateralized with the Clean Water SRF as authorized by federal (P.L. 105-66) and state law (section 644.122, RSMo).

The department attains and maintains compliance with the Safe Drinking Water Act by setting priorities and reviewing projects.

- ◆ As previously addressed, priorities for projects funded through the loan program are approved annually by the Safe Drinking Water Commission after public review. The resulting criteria express priorities as a point system by which the department ranks loan applicants. The department awards points to projects that address Safe Drinking Water Act compliance, public health, affordability on a per household basis and security issues.

- ◆ The department reviews all applicants for eligibility and assigns priority points before issuing its Intended Use Plan. Before loan closing, the department will review the applicant's engineering documents, environmental documents, contracts, creditworthiness, bond covenants and ordinances for compliance with state and federal requirements.

The department's review achieves other purposes of the law by providing technical assistance and coordinating with other funding programs.

- ◆ The funding order of projects may not be identical to the fundable priority ranking in the annual Intended Use Plan. Readiness to proceed is an important factor; however, the general order of project ranking will be followed to the extent a project's sponsor progresses to a binding commitment. The department encourages projects to proceed in a timely manner.
- ◆ The department, with approval of the Safe Drinking Water Commission, may by-pass any project on the fundable priority list that is not, in the opinion of the department, making satisfactory progress toward satisfying requirements for Drinking Water SRF assistance. Rules governing by-pass procedures appear in 10 CSR 60-13.020(3)(A).

Any project on the fundable priority list may be by-passed if the applicant fails to submit the documents required for Drinking Water SRF assistance at least 60 days prior to the beginning of the quarter for which the assistance is anticipated. Furthermore, the department may develop schedules to determine whether a Drinking Water SRF project is making satisfactory progress. A project may be by-passed for failure to meet the schedule.

A project that is by-passed will be removed from the fundable priority list, and if the application is still valid, will be placed on a project list, in priority order, for funding consideration in the next federal fiscal year.

- ◆ The department uses authorized set-asides to fund staff that provides technical assistance related to Safe Drinking Water Act compliance and the technical, managerial and financial capacity of water systems.
- ◆ The department coordinates with other agencies that fund water system improvements including the Missouri Department of Economic Development, which operates the Community Development Block Grants Program, and the U.S. Department of Agriculture Rural Development. The department is continuing to try to address the needs of disadvantaged communities by supplementing Drinking Water SRF loans with other sources of funding.

XII. State Environmental Review Process

The department has reviewed each project funded by a binding commitment during the report period according to the state environmental review process described in 10 CSR 60-13.030. It has issued a categorical exclusion or findings of no significant impact for each project.

XIII. State Match

In accordance with federal Safe Drinking Water statutes, states are required to provide a match equal to 20 percent of the total capitalization grant. Each state must deposit its match on or before the date of the grant payment. Further, it must make binding commitments equal to the grant minus set-asides plus match within one year of receiving the grant payment, except for the grant of FFY 1997. Through state fiscal year 2003, the department used general revenue funds to provide the required 20 percent match.

Beginning in state fiscal year 2004, state match was provided through the proceeds of the sale of Environmental Improvement and Energy Resources Authority bonds. Environmental Improvement and Energy Resources Authority bonds are sold to generate 100 percent of the project costs and an appropriate percentage of those bonds are clearly identified as state match. The department submitted to the EPA for approval an amendment to the Drinking Water SRF Operating Agreement (by and between the department and the EPA), to allow the use of the state match bonds. The department received approval for the change on October 28, 2003, and used this approach for providing state match in 2014.

In 2007 and 2002, the State of Missouri issued general obligations bonds for infrastructure projects to improve water quality throughout the state. Of this, \$7,085,241 was distributed as rural water grants for use as state match.

During the reporting period, \$5,975,000 in state match revenue bond series 2015A (Drinking Water portion only) was issued by EIERA. This bond sale yielded \$6,826,400 in state match for the Drinking Water SRF program. These monies were deposited into the fund.

XIV. Details of Activities

Drinking Water SRF Regulations

The department, through the Safe Drinking Water Commission, promulgated all necessary regulations for the Drinking Water SRF loan fund as of April 30, 1999. The rules were amended in 2001 and 2009 to include ARRA provisions.

2015 Binding Commitments

Exhibit 1 is a complete binding commitment list. The following table lists the projects that began construction during the 2015 reporting period.

2015 Project Construction Start Dates

Name	Project #	Construction Start Date	Award Amount
Audrain Co. PWSD #1	DW291304-02	11/09/2015	\$327,028
Auxvasse	DW291222-03	11/10/2014	2,105,685
Belton	DW291314-03	10/19/2015	2,718,000
Bonne Terre *	DW291343-01	11/17/2014	3,969,287
California	DW291328-01	10/17/2014	3,202,000
Hannibal *	DW291017-02	06/15/2015	12,960,000
Jackson County PWSD #16	DW291319-03	09/29/2015	1,413,750
Lathrop	DW291195-02	10/21/2014	2,506,000
Platte County PWSD #3	DW291315-02	11/10/2014	892,000

*Binding agreement entered into after September 30, 2015. Construction start dates began during this reporting period.

Cash Draw Ratio (Proportionality)

Missouri used “cash flow” direct loans for the Drinking Water SRF program during the 2015 reporting period. The federal capitalization grant was not used as security for the state match bonds. In this reporting period, the state match funds for the Drinking Water Capitalization Grant were utilized first before drawing any federal funds from that capitalization grant. Once state match funds were utilized, the cash draws were 100 percent federal funds. With taking the state match funds into consideration, the cash draw ratio was 83.33 percent federal funds and 16.67 percent state match. This process followed EPA memorandum, Clarification of Cash Draw Rules for Leveraged SRF programs (August 26, 2011).

Green Project Reserve

The costs associated with GPR components have been applied to the FFY10 and FFY11 capitalization grants; however, the FFY11 capitalization grant was the last year GPR was required, as shown in the following table. GPR was not a grant requirement in subsequent capitalization grants.

Federal Fiscal Year	GPR Requirement	GPR Awarded
2010	\$5,246,800	\$5,246,800
2011	\$3,640,800	\$3,640,800

The following projects were identified to have GPR project components and the associated costs which were applied towards the FFY 2010 capitalization grant GPR requirement.

Project #	Recipient Name	Loan Date	Loan Amount	GPR Amount	Water Efficiency
DW291228-01	Barry County PWSO #2	06/22/2011	\$564,000	\$419,925	\$419,925
DW291234-01	City of Clarksburg	10/05/2011	\$748,000	\$458,762	\$458,762
DW291308-01	City of Neosho	12/19/2011	\$9,425,000	\$2,030,200	\$2,030,200
DW295258-01	City of Desloge	09/27/2012	\$1,564,000	\$1,564,000	\$1,564,000
DW291293-01	City of Warsaw	11/28/2012	\$1,478,000	\$773,913	\$773,913
	Total		\$13,779,000	\$5,246,800	\$5,246,800

The following projects were identified to have GPR project components and the associated costs which were applied towards the FFY 2011 capitalization grant GPR requirement.

Project #	Recipient Name	Loan Date	Loan Amount	GPR Amount	Water Efficiency
DW291293-01	City of Warsaw	11/28/2012	\$1,478,000	\$704,087	\$704,087
DW291322-01	Jefferson County PWSO #8	11/29/2012	\$520,000	\$520,000	\$520,000
DW291162-04	City of Linn	01/30/2013	\$2,260,620	\$943,128	\$943,128
DW291324-01	Jefferson County PWSO #12	05/22/2013	\$1,732,000	\$1,473,585	\$1,473,585
	Total		\$5,990,620	\$3,640,800	\$3,640,800

Additional Subsidy

The following table lists the additional subsidy requirements for each Drinking Water Capitalization Grant and the progress towards meeting the requirements.

Federal Fiscal Year	Minimum Required	Maximum Allowed	Planned Amount	Awarded
2010	\$2,711,599	\$9,036,249	\$7,870,200	\$7,870,200
2011	\$1,678,241	\$5,592,326	\$5,461,200	\$5,461,200
2012	\$3,469,600	\$5,204,400	\$5,204,400	\$4,798,981
2013	\$3,255,400	\$4,883,100	\$4,883,100	\$702,750
2014	\$3,571,000	\$5,356,500	\$3,828,073	\$0
2015	\$3,547,600	\$5,321,400	\$3,547,600	\$0
Total	\$18,233,440	\$35,393,975	\$30,794,573	\$18,833,131

The department has issued additional subsidization in an amount to meet the requirements of the FFY 2010 – 2012 capitalization grants. The following table lists the recipients who have been awarded additional subsidization during this reporting period. All these awards were made in the form of grants.

Recipient	Amount Awarded	Award Date
Barry County PWSD #2	\$282,000	06/22/2011
Osage County PWSD #3	\$693,000	07/21/2011
Cass County PWSD #10	\$333,684	09/30/2011
City of Clarksburg	\$340,000	10/05/2011
Cass County PWSD #11	\$534,000	06/06/2012
Platte County PWSD #3	\$1,028,000	06/12/2012
City of Rogersville	\$559,113	08/24/2012
Jefferson County Water Authority	\$751,000	09/06/2012
City of Poplar Bluff	\$1,324,000	09/07/2012
City of Desloge	\$782,000	10/04/2012
Jefferson County PWSD #8	\$260,000	12/06/2012
City of Warsaw	\$739,000	12/20/2012
City of Linn	\$1,117,620	02/22/2013
Jefferson County PWSD #12	\$866,000	05/22/2013
City of Cameron	\$490,500	07/15/2013
Jackson County PWSD #16	\$1,500,000	08/15/2013
City of Monett	\$2,000,000	09/16/2013
DeKalb County PWSD #1	\$407,751	08/19/2014
Auxvasse	\$1,110,685	09/30/2014
Lathrop	\$1,248,000	10/08/2014
California	\$1,601,000	10/16/2014
Audrain PWSD #1	\$163,028	09/22/2015
Jackson County PWSD #16	\$702,750	09/28/2015
Total	\$18,833,131	

Federal Funding Accountability and Transparency Act (FFATA) & Equivalency

The following tables list the grant awards that were reported in the Federal FFATA Subaward Reporting System as of September 30, 2015 and these awards have been designated as fulfilling FFATA and equivalency requirements.

FFATA Subaward List				
Drinking Water CAP Grant Year	Drinking Water CAP Grant Amount	Project Number	Recipient	FFATA Subaward Obligation
FFY2010		ER12-DWSA-MO6010303	City of Gerald	\$ 42,300
FFY2010		ER12-DWSA-MO4010087	City of Bonne Terre	\$ 58,068
FFY2010		ER12-DWSA-MO2010344	City of Hannibal	\$ 58,068
FFY2010		ER12-DWSA-MO2020421	United Water Services Inc.	\$ 98,800
FFY2010		ER-12-DWSA-MO6010276	Horner & Shifrin, Inc.	\$ 96,200
FFY2010		ER12-DWSA-MO1024118	Public Water Supply Dist No 9	\$ 25,110
FFY2010		ER12-DWSA-MO6010213	City of Desoto	\$ 36,750
FFY2010		ER12-DWSA-MO2021537	North Central Missouri	\$ 150,000
FFY2010		ER12-DWSA-MO6010801	City of Union	\$ 49,880
FFY2010		ER12-DWSA-MO4010404	Horner & Shifrin, Inc.	\$ 26,910
FFY2010		WS12-DWSA-MO4010501	City of Marquand	\$ 30,600
FFY2010		ER12-DWSA-MO4010710	City of Sainte Genevieve	\$ 104,300
FFY2010		ER12-DWSA-MO3024055	Consolidated Public Water	\$ 97,600
FFY2010		ER12-DWSA-MO1024156-1024154	Bartlett & West, Inc.	\$ 46,085
FFY2010		DW291228-01	Barry County Water Supply Dist 2	\$ 564,000
FFY2010		ER12-DWSA-MO2024572	PWSD 1 of Shelby County	\$ 50,600
FFY2010		ER12-DWSA-MO5024618	Vernon County PWSD 1	\$ 47,460
FFY2010		DW291243-01	Meadville	\$ 622,700
FFY2010		DW291245-02	City of Adrian	\$ 343,200
FFY2010		DW291233-01	City of Chilhowee	\$ 585,000
FFY2010		DW291282-02	City of Stockton	\$ 860,000
FFY2010		DW291249-02	Cass County PWSD 10	\$ 1,035,684
FFY2010		DW291234-01	City of Clarksburg	\$ 748,000
FFY2010		DW291308-01	City of Neosho	\$ 9,425,000
FFY2010		DW291313-01	Cass County PWSD 11	\$ 1,068,000
FFY2010		DW291315-01	Platte County PWSD 3	\$ 1,164,000
FFY2010		DW291310-01	Jefferson County Water Authorit	\$ 1,502,000
FFY2010		DW291204-02	City of Poplar Bluff	\$ 1,256,571
FFY2010		DW291327-01	Monett	\$ 1,241,113
	\$ 21,434,000			\$ 21,434,000

FFATA Subaward List				
Drinking Water CAP Grant Year	Drinking Water CAP Grant Amount	Project Number	Recipient	FFATA Subaward Obligation
FFY2011		ER14-DWSA-MO1010464	City of Lexington	\$ 73,500
FFY2011		ER14-DWSA-MO4021311	Wappapello PWS 4	\$ 28,000
FFY2011		ER14-DWSA-MO3024052	Boone County PWS 4	\$ 36,900
FFY2011		ER14-DWSA-MO5024228	Greene County PWS 1	\$ 33,750
FFY2011		ER14-DWSA-MO5010331	City of Greenfield	\$ 27,000
FFY2011		ER14-DWSA-MO6024214	Franklin County PWS 4	\$ 28,000
FFY2011		ER14-DWSA-MO30104411	City of Lake Ozark	\$ 43,200
FFY2011		ER14-DWSA-MO4010636	City of Perryville	\$ 72,100
FFY2011		ER14-DWSA-MO1024309	Warrensburg PWSD	\$ 41,200
FFY2011		ER14-DWSA-MO6071352	Jefferson County Water Authorit	\$ 60,310
FFY2011		ER14-DWSA-MO6024213	Franklin County PWS 3	\$ 32,500
FFY2011		ER14-DWSA-MO4021311	Wayne & Butler Counties	\$ 28,000
FFY2011		Cooperative Agreement	University of Missouri system	\$ 159,871
FFY2011		ER14-DWSA-MO2024594	Sullivan County PWS 1	\$ 47,200
FFY2011		ER14-DWSA-MO5010331	City of Greenfield	\$ 27,000
FFY2011		ER14-DWSA-MO4021532	Cape Girardeau County	\$ 26,813
FFY2011		ER14-DWSA-MO6010659	City of Potosi	\$ 40,500
FFY2011		ER14-DWSA-MO2024565	Scotland County	\$ 28,000
FFY2011		DW291216-01	Osage Co PWS 3	\$ 1,386,000
FFY2011		DW291204-02	City of Poplar Bluff	\$ 1,391,429
FFY2011		DW291276-01	Rogersville	\$ 1,241,113
FFY2011		DW295258-01	Desloge	\$ 1,564,000
FFY2011		DW291322-01	Jefferson Co PWS 8	\$ 520,000
FFY2011		DW291293-01	Warsaw	\$ 1,478,000
FFY2011		DW291162-04	Linn	\$ 2,260,620
FFY2011		DW291324-01	Jefferson County PWS 12	\$ 1,732,000
FFY2011		DW291331-01	Tipton	\$ 606,600
FFY2011		DW291193-04	City of Cameron	\$ 1,106,500
FFY2011		DW291319-01	Jackson Co PWS 16	\$ 3,000,000
FFY2011		DW291327-01	Monett	\$ 1,009,497
	\$ 18,129,603			\$ 18,129,603
<hr/>				
FFY2012		SWPDI15-DWSA-MO4010853	City of West Plains Water Plant	\$ 25,000
FFY2012		SWPDI15-DWSA-MO3011367	City of Osage Beach	\$ 25,000
FFY2012		None	University of Missouri System	\$ 99,928
FFY2012		DW291327-01	Monett	\$ 6,641,557
FFY2012		DW291314-02	Belton	\$ 1,774,517
FFY2012		DW291341-01	Dekalb County PWSD	\$ 830,751
FFY2012		DW291222-03	Auxvasse	\$ 2,105,685
FFY2012		DW291328-01	California	\$ 3,202,000
FFY2012		DW291195-02	Lathrop	\$ 2,506,000
FFY2012		DW291315-02	Platte County PWS 3	\$ 137,563
	\$ 17,348,000			\$ 17,348,001

FFATA Subaward List				
Drinking Water CAP Grant Year	Drinking Water CAP Grant Amount	Project Number	Recipient	FFATA Subaward Obligation
FFY2013		DS14-DWSA-MO5010641	City of Pierce City	\$ 35,667
FFY2013		DS14-DWSA-MO4010072	City of Birch Tree	\$ 165,000
FFY2013		AWP16-DWSA-MO1010098	City of Braymer	\$ 49,000
FFY2013		DS14-DWSA-MO4010132	City of Campbell	\$ 53,500
FFY2013		DS14-DWSA-MO6010213	City of Desoto	\$ 27,677
FFY2013		DS14-DWSA-MO4010290	City of Fredericktown	\$ 159,320
FFY2013		Cooperative Agreement	University of Missouri System	\$ 121,062
FFY2013		ER15-DWSA-MO1021304	Oregon PWS	\$ 40,500
FFY2013		DS14-DWSA-MO2010097	City of Brashear	\$ 33,300
FFY2013		ER15-DWSA-MO1010682	City of Rich Hill	\$ 45,416
FFY2013		DS14-DWSA-MO2010097	City of Brashear	\$ 66,600
FFY2013		DS14-DWSA-MO4010290	City of Fredericktown	\$ 318,640
FFY2013		ER15-DWSA-MO5024423	Newton County PWS 1	\$ 36,000
FFY2013		DS14-DWSA-MO5024591	Mo-Ark Water Company	\$ 81,000
FFY2013		SWPD16-DWSA-MO5010754	City Utilities of Springfield	\$ 27,200
FFY2013		SWPDI15-DWSA-MO1010349	City of Harrisonville	\$ 25,000
FFY2013		DW291315-02	Platte County PWS 3	\$ 754,437
FFY2013		DW291304-02	Audrain PWS 1	\$ 327,028
FFY2013		DW291314-03	Belton	\$ 2,718,000
FFY2013		DW291319-03	Jackson Co PWS 16	\$ 1,413,750
FFY2013		DW291335-01	Platte County PWS 1	\$ 1,796,946
FFY2013		DW291343-01	Bonne Terre	\$ 3,969,287
FFY2013		DW291346-01	Fredericktown	\$ 2,983,000
FFY2013		DW291204-03	City of Poplar Bluff	\$ 1,029,670
	\$ 16,277,000			\$ 16,277,000
FFY2014		DS14-DWSA-MO3010720	City of St. Robert	\$ 173,475
FFY2014		SWPD116-DWSA-MO5010754	City of Springfield	\$ 41,200
FFY2014		ER15-DWSA-MO2010796	City of Trenton	\$ 34,595
FFY2014		DS-DWSA-MO4010710	City of Sainte Genevieve	\$ 29,486
FFY2014		DW14-DWSA-MO4010132	City of Campbell	\$ 107,000
FFY2014		DW291017-02	Hannibal	\$ 12,960,000
FFY2014		DW291181-04	Tri-County Water Authority	\$ 4,502,914
FFY2014		DW291204-03	City of Poplar Bluff	\$ 1,330
	\$ 17,850,000			\$ 17,850,000
FFY2015		ER16-DWSA-MO3024438/MO3024441	Osage County PWS 2	\$ 55,440
FFY2015		PDWB-CARES-FY17-FY18	University of Missouri System	\$ 60,000
FFY2015		DW291327-01	Monett	\$ 2,583,517
FFY2015		DW291280-12	St. Louis	\$ 9,500,000
FFY2015		DW291314-02	Belton	\$ 5,264,483
FFY2015		DW291181-04	Tri-County Water Authority	\$ 274,560
	\$ 17,738,000			\$ 17,738,000
			Total FFATA Reported To Date	\$ 108,776,603

Assembled Necessary Staff

The department has the necessary staff positions to implement the Drinking Water SRF. The Drinking Water SRF administrative, financial and technical review staff for the Drinking Water Loan program is primarily located in the Water Protection Program's Financial Assistance Center. Staff administering the programs and activities funded by the set-aside portion of the Drinking Water State Revolving Fund Capitalization Grants is primarily located in the Water Protection Program's Public Drinking Water Branch. The Water Protection Program coordinates with the Environmental Improvement and Energy Resources Authority, a state environmental financing agency, to implement the Direct Loan program. Staff in the department's regional offices provides assistance with Drinking Water SRF and primacy-related field activities.

Grant Conditions Compliance

The department continues to comply with all grant conditions. The following sections address specific compliance issues.

- ◆ **Lobbying.** Lobbying by grant recipients is restricted by Section 607(A) of P.L. 96-74 and by the Anti-Lobbying Act, Section 319 of P.L. 101-121. The department has not engaged in illegal lobbying and has not used grant funds to support lobbying.
- ◆ **Debarment.** The department has agreed to comply with EPA's policy on debarment and suspension under assistance, loan and benefit programs. The department has not solicited subagreements from debarred or suspended parties and has included notice of this policy in solicitations as required.
- ◆ **Disadvantaged business enterprises.** The department has agreed to comply with EPA's Program for Utilization of Small, Minority, and Women's Business Enterprises. It has agreed to negotiate fair share goals. The department and all loan/grant recipients have included in their bid documents the fair share goals, followed the six affirmative steps stated in 40 CFR 31.36(e) and 40 CFR 35.3145(d). The department has submitted reports on disadvantaged business enterprise use as required based in the information provided from the loan recipients. MBE/WBE reports were submitted to EPA for the 2015 reporting period. The table below illustrates our status towards meeting the goals set for MBE/WBE.

Assistance Activity for SRF Loan Recipients		
	MBE	WBE
Construction	\$228,175	\$684,525
Equipment	0	0
Services	\$1,275,383	0
Supplies	\$406,366	0
Total	\$1,909,924	\$684,525
Percent	10.7%	3.8%
Goal	10.0%	5.0%

- ◆ **Drinking Water SRF and Public Drinking Water Benefits Reporting System.** The department has agreed to submit an annual report on the state of the Drinking Water SRF program. This report fulfills the requirement of the annual report. The department has updated the Public Drinking Water Benefits Reporting System as required for each loan recipient.
- ◆ **Use of recycled paper.** The department has agreed to submit required reports to EPA on recycled paper. This report is printed on recycled paper.
- ◆ **Indirect costs.** The department has agreed to charge indirect costs in the year that they are expended and in accordance with the negotiated indirect cost agreement. The department has complied with the agreement and charged indirect costs in the years they were expended.
- ◆ **Federal cross-cutters.** The department has agreed to comply with all federal cross-cutters identified in Appendix A of the Drinking Water SRF Program Guidelines. While loan recipients do not always receive assistance directly from the capitalization grant, the department has ensured, by conditions in the loan agreements, that cross-cutting authority apply to projects equating to at least the amount of the capitalization grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial activities for the Missouri Department of Natural Resources' (Department) Drinking Water State Revolving Fund (SRF) for the period ended September 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the Notes to the Financial Statements.

Financial Highlights

The assets and deferred outflows of resources of the program exceeded liabilities at the close of the most recent reporting period by \$195,584,861 (net position). Net position, since inception of the program, consists of federal capitalization grant contributions of \$197,973,003, state match contributions of \$15,504,548, net transfers of \$5,000,000 to the Clean Water SRF program and a net loss of \$12,892,690. The net position of the program is all restricted. The program's enabling legislation and related regulations require that all money in the fund may be used only for purposes of the program.

Total assets increased from \$334,202,855 at September 30, 2014 to \$341,924,261 at September 30, 2015. The assets of the enterprise funds increased \$7,721,406 while the assets of the agency fund decreased \$71,612. Explanations for these changes are detailed in the Financial Analysis section.

Total liabilities decreased \$9,603,106. The majority of the decrease was from a decrease in bonds payable. Bonds payable decreased \$9,887,365 because the program has changed from primarily a leveraged loan program to a direct loan program.

During the reporting period, the program's total net position increased \$16,607,420. Capital contributions from the Environmental Protection Agency (EPA) totaled \$13,105,508. The current period income of \$3,501,912 is the result of the program making reduced levels of grant payments which totaled \$3,885,533 during the reporting period.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's Drinking Water SRF basic financial statements. The program's basic financial statements are comprised of two components: 1) proprietary and fiduciary fund financial statements, and 2) notes to the financial statements.

The proprietary and fiduciary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, a Statement of Cash Flows and a Statement of Fiduciary Net Position.

- The Statement of Net Position presents the assets, deferred outflows of resources, liabilities and net position of the program. Assets consist of cash and cash equivalents, investments, interest receivable from loans and investments, administrative fees

receivable, EPA set-aside grant funds receivable and loans receivable. Deferred outflows of resources consist of the deferred change on refunding. Liabilities include accounts payable, deferred revenue, bonds payable and bond interest payable. Net position is the federal capitalization grant contributions, the state match contributions, and the excess earnings of the program's operations since inception.

- The Statement of Revenues, Expenses and Changes in Fund Net Position present information showing how the program's net position changed during the reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.
- The Statement of Cash Flows is provided to identify the sources and the uses of cash during the reporting period and to demonstrate that the program has sufficient cash to meet its obligations.
- The Statement of Fiduciary Net Position provides information about the program's agency fund. The agency fund consists of the assets and liabilities related to the loan funds that are held at trustee banks on behalf of the loan participants.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Financial Analysis

Loan Fund:

The following section displays the current and prior year financial statements of the loan fund and describes some of the major reasons for the changes.

Loan Fund Net Position	2015	2014	Percent Change
Current assets	\$ 79,834,493	\$ 57,133,092	40%
Non-current assets	249,300,256	265,064,078	-6%
Total assets	329,134,749	322,197,170	2%
Deferred outflows of resources	3,508,993	4,226,086	-17%
Total Assets and deferred outflows	325,625,756	317,971,084	2%
Current liabilities	16,456,068	16,396,148	0%
Non-current liabilities	131,819,482	141,702,812	-7%
Total liabilities	148,275,550	158,098,960	-6%
Net position	\$ 184,368,193	\$ 168,324,296	10%

The total net position of the loan fund increased by 10 percent. This was mainly due to an increase in the current assets of \$22,701,401 due primarily to disbursing federal grant funds instead of using cash from the loan fund and a decrease in total liabilities of six percent because of a decrease in bonds payable of \$9,887,365.

Changes in Loan Fund Net Position

	2015	2014	Percent Change
Operating revenues	\$ 7,331,922	\$ 9,741,898	-25%
Operating expenses	3,904,396	6,992,313	-44%
Operating income	3,427,526	2,749,585	25%
Non-operating revenues (expenses)	12,616,371	15,366,387	-18%
Increase in net position	16,043,897	18,115,972	-11%
Net position, beginning of year	168,324,296	150,612,634	12%
Net position, as restated	-	(404,310)	-100%
Net position, end of year	<u>\$ 184,368,193</u>	<u>\$ 168,324,296</u>	<u>10%</u>

The net position of the loan fund increased \$16,043,897 in the 2015 reporting period. Part of the increase was attributable to a decrease in the amount of grant payment expenses, interest expense on the bond payable, and bond issuance expenses. In addition, the program received a five million transfer from the Clean Water program during this reporting period.

Loan Fund Cash Flows

	2015	2014	Percent Change
Cash flows from operating activities	\$ 13,390,581	\$ 20,167,459	-34%
Cash flows from noncapital financing activities	2,616,003	(10,743,242)	-124%
Cash flows from investing activities	1,608,343	(6,983,195)	-123%
Increase (decrease) in cash and cash equivalents	17,614,927	2,441,022	622%
Cash and cash equivalents, beginning of year	33,816,954	31,375,932	8%
Cash and cash equivalents, end of year	<u>\$ 51,431,881</u>	<u>\$ 33,816,954</u>	<u>52%</u>

A number of factors caused a significant change in the loan fund cash flow numbers between state fiscal year 2014 and this 2015 reporting period.

1. Bond principal retired decreased \$45,037,450 because there was a refunding in the 2014 reporting period (series 2013A) and none during this reporting period.
2. Interest paid on bonds decreased \$4,000,475.
3. There was a \$5,000,000 transfer from the Clean Water State Revolving Fund program during the reporting period.

Administrative Fee Fund:

The following section displays the current and prior year financial statements of the administrative fee fund and describes some of the major reasons for the changes.

Administrative Fee Fund Net Assets

	2015	2014	Percent Change
Current assets	\$ 11,216,667	\$ 10,653,145	5%
Non-current assets	-	-	-
Total assets	<u>11,216,667</u>	<u>10,653,145</u>	<u>5%</u>
Current liabilities	-	-	-
Non-current liabilities	-	-	-
Total liabilities	-	-	-
Net position	<u><u>\$ 11,216,668</u></u>	<u><u>\$ 10,653,145</u></u>	<u><u>5%</u></u>

The 5 percent increase in administrative fee fund net position is a result of administrative fee revenues and interest earnings that are not offset by administrative expenses. Administrative costs are primarily being paid from a portion of the EPA grants through the set-aside fund, so the administrative fee fund cash continues to build. This will ensure sufficient funding for administrative expenses should the set-aside grant funding decrease or end.

Changes in Administrative Fee Fund Net Assets

	2015	2014	Percent Change
Operating revenues	\$ 858,370	\$ 1,112,586	-23%
Operating expenses	<u>345,472</u>	<u>0</u>	-
Operating income	<u>512,898</u>	<u>1,112,586</u>	<u>-54%</u>
Non-operating revenues (expenses)	<u>50,625</u>	<u>60,180</u>	<u>-16%</u>
Increase in net position	<u>563,523</u>	<u>1,172,766</u>	<u>-52%</u>
Net position, beginning of year	<u>10,653,145</u>	<u>9,480,379</u>	<u>12%</u>
Net position, as restated	<u>0</u>	<u>0</u>	-
Net position, end of year	<u><u>\$ 11,216,668</u></u>	<u><u>\$ 10,653,145</u></u>	<u><u>5%</u></u>

There was an increase of \$345,472 in administrative fee expense due primarily to some administrative expenses being paid from administrative fees. As mentioned earlier, the net position continues to grow because administrative expenses are primarily paid with set-aside capitalization grant funds. The accumulation of net position in the administrative fee fund is needed in order to ensure that there will be sufficient funds to cover administration costs should the set-aside grant funding decrease or end.

Administrative Fee Fund Cash Flows

	2015	2014	Percent Change
Cash flows from operating activities	\$ 526,509	\$ 1,463,071	-64%
Cash flows from noncapital financing activities	-	-	-
Cash flows from investing activities	50,247	59,927	-16%
Increase in cash and cash equivalents	576,756	1,522,998	-62%
Cash and cash equivalents, beginning of year	10,304,510	8,781,512	17%
Cash and cash equivalents, end of year	<u>\$ 10,881,266</u>	<u>\$ 10,304,510</u>	<u>6%</u>

Administrative fee fund cash increased \$576,756 during the year as administrative fees and investment interest were received.

Set-aside Fund:

The following section displays the current and prior year financial statements of the set-aside fund and describes some of the major reasons for the changes:

Set-Aside Fund Net Position

	2015	2014	Percent Change
Current assets	\$ 1,549,805	\$ 1,310,936	18%
Non-current assets	23,040	41,604	-45%
Total assets	1,572,845	1,352,540	16%
Current liabilities	1,561,292	1,321,806	18%
Non-current liabilities	11,553	30,734	-62%
Total liabilities	1,572,845	1,352,540	16%
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

The increase in assets and liabilities of the set-aside fund reflects the decrease in the amount of set-aside expenditures that have been reimbursed by draws from the EPA capitalization grants.

Changes in Set-aside Fund Net Position

	2015	2014	Percent Change
Operating revenues	\$ 6,785,382	\$ 9,375,200	-28%
Operating expenses	6,785,382	9,375,200	-28%
Operating income	-	-	0%
Non-operating revenues (expenses)	-	-	0%
Increase in net position	-	-	0%
Net position, beginning of year	-	-	0%
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>0%</u>

There was a \$2,589,818 decrease in operating revenues and operating expenses. Salaries and benefits expense decreased \$713,202, indirect costs decreased by \$351,814, and other administrative expenses decreased \$1,542,691. These decreases in operating expenses resulted in a corresponding decrease in EPA operating grant revenue.

Set-aside cash flows:

The set-aside fund does not have a cash balance, as any cash paid out is offset by cash coming in, resulting in the yearly cash provided by operating activities of \$0.

Agency Fund:

The following section displays the current and prior year assets and liabilities of the agency fund:

Agency Fund Net Position

	2015	2014	Percent Change
Assets	\$ 1,074,183	\$ 1,145,795	-6%
Liabilities	1,074,183	1,145,795	-6%
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>0%</u>

The agency fund assets and liabilities decreased six percent because the program is now funding new loans on a payment by payment basis instead of placing 100 percent of the loan funds at a trustee bank at the time of the loan closing. Therefore, new loans do not have money sitting in the construction loan funds at the trustee bank and older loans have continually shrinking construction loan fund balances as those projects get closer to completion.

SRF Binding Commitments

Fiscal Years 1997 through 2015

Project Name	Population Served	Project Number	Amount	Closing Date
Funding Type: ARRA GRANT				
CAMERON**	2,950	DW291193-03G	\$1,390,500.00	10/22/2009
CLINTON COUNTY PWSD #3**	1,310	DW291227-01G	\$1,100,000.00	11/06/2009
AVA MUNICIPAL WATER SYSTEM**	3,021	DW291214-01G	\$1,445,400.00	11/10/2009
CLARENCE CANNON	42,000	DW291070-03G	\$2,000,000.00	11/17/2009
DREXEL**	1,115	DW291236-01G	\$2,000,000.00	11/17/2009
ROCKAWAY BEACH**	577	DW291230-01G	\$862,000.00	12/07/2009
MONROE COUNTY PWSD #2*	6,500	DW291213-01G	\$1,065,250.00	12/10/2009
ADRIAN*	4,420	DW291245-01G	\$473,800.00	12/21/2009
PILOT GROVE**	723	DW291232-01G	\$505,000.00	12/21/2009
WESTON**	1,631	DW291220-01G	\$2,033,300.00	12/21/2009
HARRY S TRUMAN PWSD #2*	6,000	DW291239-01G	\$1,172,000.00	12/22/2009
CAPE GIRARDEAU	36,472	DW291010-03G	\$1,000,000.00	12/28/2009
NEWBURG MUNICIPAL WATER SYSTEM**	474	DW291229-01G	\$162,200.00	12/29/2009
KING CITY**	1,500	DW291265-01G	\$597,300.00	12/30/2009
LINN CREEK**	280	DW291223-01G	\$916,100.00	01/08/2010
STE GENEVIEVE*	4,480	DW291281-01G	\$781,440.00	01/08/2010
CLAY COUNTY PWSD #8**	1,953	DW291235-01G	\$723,000.00	01/11/2010
COLE COUNTY PWSD #4**	1,100	DW291208-02G	\$324,000.00	01/15/2010
WARDSVILLE**	976	DW291218-01G	\$396,862.00	01/26/2010
	19		\$18,948,152.00	
Funding Type: ARRA LOAN				
CAMERON**	2,950	DW291193-03L	\$1,390,500.00	11/02/2009
AVA MUNICIPAL WATER SYSTEM**	3,021	DW291214-01L	\$1,445,400.00	11/17/2009
CLARENCE CANNON	42,000	DW291070-03L	\$2,390,000.00	11/23/2009
DREXEL**	1,115	DW291236-01L	\$2,368,000.00	11/23/2009
CLINTON COUNTY PWSD #3**	1,310	DW291227-01L	\$1,100,000.00	11/25/2009
ROCKAWAY BEACH**	577	DW291230-01L	\$862,000.00	12/09/2009
MONROE COUNTY PWSD #2*	6,500	DW291213-01L	\$1,065,200.00	12/14/2009
PILOT GROVE**	723	DW291232-01L	\$505,000.00	12/23/2009
ADRIAN*	4,420	DW291245-01L	\$473,800.00	12/29/2009
HARRY S TRUMAN PWSD #2*	6,000	DW291239-01L	\$1,172,000.00	12/29/2009
WESTON**	1,631	DW291220-01L	\$2,033,400.00	12/29/2009
KING CITY**	1,500	DW291265-01L	\$199,100.00	01/06/2010
LINN CREEK**	280	DW291223-01L	\$305,300.00	01/12/2010
STE GENEVIEVE*	4,480	DW291281-01L	\$781,300.00	01/12/2010
CLAY COUNTY PWSD #8**	1,953	DW291235-01L	\$723,000.00	01/14/2010
CAPE GIRARDEAU	36,472	DW291010-03L	\$1,000,000.00	01/15/2010
NEWBURG MUNICIPAL WATER SYSTEM**	474	DW291229-01L	\$162,200.00	01/19/2010
COLE COUNTY PWSD #4**	1,100	DW291208-02L	\$324,000.00	01/21/2010
WARDSVILLE**	976	DW291218-01L	\$396,700.00	01/28/2010
	19		\$18,696,900.00	
Funding Type: DIRECT INTERIM LOAN SRF				
GLASGOW, CITY OF**	1,263	DW291125-01	\$1,000,000.00	12/05/2002
MARSHFIELD, CITY OF*	5,720	DW291148-01	\$3,650,000.00	03/27/2003
TRI-COUNTY WATER AUTHORITY	19,000	DW291181-01	\$9,848,500.00	02/25/2005
	3		\$14,498,500.00	
Funding Type: DIRECT INTERIM LOAN SRF (Paid off by Leveraged Loan)				
GLASGOW, CITY OF**	1,263	DW291125-01	(\$1,000,000.00)	04/09/2003
MARSHFIELD, CITY OF*	5,720	DW291148-01	(\$3,650,000.00)	11/20/2003
TRI-COUNTY WATER AUTHORITY	19,000	DW291181-01	(\$9,848,500.00)	05/19/2005
	(3)		(\$14,498,500.00)	

SRF Binding Commitments

Fiscal Years 1997 through 2015

Project Name	Population Served	Project Number	Amount	Closing Date
Funding Type: DIRECT LOAN SRF				
ADRIAN, CITY OF*	4,420	DW291107-01	\$4,163,000.00	12/03/2007
SULLIVAN COUNTY PWSD #1*	4,340	DW291212-01	\$2,900,000.00	04/14/2009
PLATTE COUNTY PWSD #8**	1,101	DW291273-01	\$444,800.00	11/17/2009
	3		\$7,507,800.00	
Funding Type: LEVERAGED LOAN SRF				
CAMERON, CITY OF	11,000	DW291008-01	\$3,300,000.00	12/02/1998
CAPE GIRARDEAU, CITY OF	38,509	DW291010-01	\$25,495,000.00	12/02/1998
LOUISIANA, CITY OF*	4,000	DW291025-01	2,315,000.00	06/03/1999
MOSCOW MILLS-NEW ELEVATED WATER TANK **	2,600	DW291032-01	365,000.00	12/02/1999
RAY COUNTY PWSD #2	16,000	DW291034-01	3,955,000.00	12/02/1999
BOONVILLE, CITY OF*	7,095	DW291003-01	5,110,000.00	04/12/2000
CAMDEN COUNTY PWSD #2**	691	DW291007-01	700,000.00	04/12/2000
HALLSVILLE, CITY OF**	1,200	DW291053-01	825,000.00	04/12/2000
JACKSON DIST. SYSTEM IMPROVEMENTS 01*	9,256	DW291020-01	995,000.00	04/12/2000
MARCELINE, CITY OF **	2,645	DW291026-01	4,000,000.00	04/12/2000
PERRYVILLE, CITY OF*	6,993	DW291062-01	8,860,000.00	04/12/2000
CLARENCE CANNON WHOLESALE WC*	4,172	DW291070-01	4,015,000.00	11/21/2000
JACKSON DIST. SYSTEM IMPROVEMENTS 02*	9,256	DW291020-02	1,895,000.00	11/21/2000
SWEET SPRINGS**	1,620	DW291040-01	445,000.00	11/21/2000
UNIONVILLE, CITY OF **	1,989	DW291041-01	455,000.00	11/21/2000
OZARK, CITY OF*	9,159	DW291089-01	975,000.00	04/18/2001
RAY COUNTY PWSD #2	16,000	DW291117-01	790,000.00	04/18/2001
RICHMOND*	6,675	DW291071-01	3,525,000.00	04/18/2001
VERNON COUNTY PWSD #2**	1,100	DW291069-01	1,005,000.00	04/18/2001
BUTLER, CITY OF*	8,555	DW291046-01	5,000,000.00	11/20/2001
DUNKLIN COUNTY PWSD#3**	1,764	DW291110-01	335,000.00	11/20/2001
FESTUS, CITY OF	10,470	DW291051-01	1,885,000.00	11/20/2001
GARDEN CITY**	1,390	DW291073-01	730,000.00	11/20/2001
JEFFERSON COUNTY WATER AUTHORITY	10,470	DW291121-01	10,435,000.00	11/20/2001
KEARNEY, CITY OF*	4,300	DW291082-01	2,645,000.00	11/20/2001
TRI-COUNTY WATER AUTHORITY	19,000	DW291068-01	2,370,000.00	11/20/2001
CAMDEN COUNTY PWSD #2**	2,280	DW291122-01	430,000.00	05/08/2002
CLEVER, CITY OF**	811	DW291109-01	410,000.00	05/08/2002
CRYSTAL CITY*	4,247	DW291050-01	1,300,000.00	05/08/2002
JEFFERSON COUNTY WATER AUTHORITY	10,470	DW291121-02	8,230,000.00	05/08/2002
ELSBERRY TREATMENT UPGRADE**	1,896	DW291099-01	500,000.00	11/07/2002
LAWSON, CITY OF**	2,357	DW291127-01	1,080,000.00	11/07/2002
OSAGE BEACH, REFINANCING AND NEW PROJECT	15,000	DW291150-01	24,585,000.00	11/07/2002
PUXICO, CITY OF**	1,145	DW291134-01	540,000.00	11/07/2002
CARL JUNCTION DW IMPROVEMENTS**	2,188	DW291123-01	1,760,000.00	04/09/2003
GLASGOW, CITY OF**	1,263	DW291125-02	2,210,000.00	04/09/2003
JASPER COUNTY PWSD #1**	1,873	DW291131-01	1,400,000.00	04/09/2003
OSAGE BEACH, REFINANCING AND NEW PROJECT	15,000	DW291150-02	6,075,000.00	04/09/2003
BOWLING GREEN*	5,166	DW291165-01	3,160,000.00	11/20/2003
MARSHFIELD, CITY OF*	5,720	DW291148-02	6,310,000.00	11/20/2003
KNOB NOSTER WATER IMPROVEMENTS**	2,462	DW291139-01	1,000,000.00	11/20/2003
CASS-BATES #12**	1,800	DW291151-01	330,000.00	11/20/2003
GREEN CITY**	688	DW291164-01	490,000.00	11/20/2003
BROOKFIELD*	4,769	DW291178-01	3,055,000.00	05/28/2004
PINEVILLE**	768	DW291141-01	550,000.00	05/28/2004
KIRKSVILLE SOUTH PROJECT	16,988	DW291176-01	695,000.00	12/09/2004
MOBERLY	13,741	DW291158-01	5,100,000.00	12/09/2004
LIVINGSTON COUNTY PWSD #1**	1,240	DW291161-01	1,230,000.00	12/09/2004

SRF Binding Commitments

Fiscal Years 1997 through 2015

Project Name	Population		Amount	Closing Date
	Served	Project Number		
ADAIR COUNTY PWSD #1*	7,989	DW291155-01	395,000.00	12/09/2004
PORTAGEVILLE*	3,600	DW291077-01	2,300,000.00	12/09/2004
FULTON, CITY OF	12,128	DW291124-01	4,500,000.00	05/19/2005
TRI-COUNTY WATER AUTHORITY	27,000	DW291181-02	23,000,000.00	05/19/2005
HUNTSVILLE**	1,600	DW291175-01	605,000.00	05/19/2005
CLARENCE CANNON WWC	42,000	DW291137-01	9,700,000.00	11/30/2005
KIRKSVILLE PHASE I	26,450	DW291183-01	1,805,000.00	11/30/2005
TRI-COUNTY WATER AUTHORITY	27,000	DW291181-03	17,625,000.00	11/30/2005
RUSSELLVILLE**	850	DW291172-01	650,000.00	11/30/2005
CLARENCE CANNON WWC	42,000	DW291137-02	590,000.00	04/27/2006
CAPE GIRARDEAU COUNTY PWSD #4**	692	DW291187-01	600,000.00	04/27/2006
SHELBY COUNTY PWSD #1**	1,205	DW291191-01	810,000.00	04/27/2006
CLAY COUNTY PWSD #3*	3,800	DW291196-01	2,295,000.00	11/16/2006
KIRKSVILLE PHASE II & DOWNTOWN	26,450	DW291184-01	3,500,000.00	05/01/2007
OSAGE BEACH*	4,100	DW291150-03	2,550,000.00	05/01/2007
RICHLAND**	1,805	DW291202-01	1,000,000.00	05/01/2007
SENECA**	2,135	DW291157-01	835,000.00	05/01/2007
IRONTON**	1,539	DW291145-01	2,500,000.00	05/01/2007
WASHBURN, CITY OF**	448	DW291171-01	1,420,000.00	05/01/2007
HAMILTON**	2,343	DW291207-01	385,000.00	11/15/2007
ASHLAND**	3,000	DW291043-02	1,240,000.00	10/30/2008
HOLCOMB**	840	DW291186-01	355,000.00	10/30/2008
POPLAR BLUFF, CITY OF	16,651	DW291204-01	6,195,000.00	10/30/2008
LIVINGSTON COUNTY PWSD #3**	2,210	DW291201-01	970,000.00	10/30/2008
COLE COUNTY PWSD #4**	1,100	DW291208-01	2,045,000.00	10/30/2008
	73		\$250,735,000.00	

Funding Type: SRF CASH FLOW DIRECT LOAN

CLARENCE CANNON	42,000	DW291070-04	5,285,000.00	06/24/2010
MEADVILLE**	457	DW291243-01	622,700.00	10/26/2010
ADRIAN*	4,420	DW291245-02	343,200.00	12/22/2010
CHILHOWEE**	329	DW291233-01	585,000.00	12/22/2010
STOCKTON, CITY OF**	2,016	DW291282-02	860,000.00	05/26/2011
BARRY COUNTY PWSD #2 (CRESTWOOD WEST)**	182	DW291228-01L	282,000.00	06/22/2011
OSAGE COUNTY PWSD #3**	1,350	DW291216-01L	693,000.00	07/21/2011
CASS COUNTY PWSD #10**	2,610	DW291249-02L	702,000.00	09/28/2011
CLARKSBURG**	390	DW291234-01L	408,000.00	10/05/2011
NEOSHO	10,505	DW291308-01	9,425,000.00	12/19/2011
CASS COUNTY PWSD #11**	2,560	DW291313-01L	534,000.00	05/14/2012
PLATTE COUNTY PWSD #3**	1,200	DW291315-01L	582,000.00	06/19/2012
JEFFERSON COUNTY WATER AUTHORITY	14,005	DW291310-01L	751,000.00	07/25/2012
POPLAR BLUFF	16,651	DW291204-02L	1,324,000.00	07/31/2012
ROGERSVILLE**	3,047	DW291276-01L	682,000.00	08/14/2012
DESLOGE*	5,105	DW291258-01L	782,000.00	09/27/2012
WARSAW**	2,075	DW291293-01L	739,000.00	11/28/2012
JEFFERSON CO. PWSD #8*	3,500	DW291322-01L	260,000.00	11/29/2012
LINN**	1,430	DW291162-04L	1,143,000.00	01/30/2013
JEFFERSON CO. PWSD #12**	3,000	DW291324-01L	866,000.00	05/22/2013
TIPTON**	3,262	DW291331-01L	606,600.00	06/18/2013
CAMERON	14,000	DW291193-04L	616,000.00	07/17/2013
JACKSON COUNTY PWSD #16	4,203	DW291319-01L	1,500,000.00	07/18/2013
MONETT	8,835	DW291327-01L	11,012,000.00	09/09/2013
ST. LOUIS	319,294	DW291280-12L	9,500,000.00	11/13/2013
BELTON PHASE I	24,802	DW291314-02L	7,039,000.00	03/27/2014
DEKALB COUNTY PWSD #1	8,320	DW291341-01L	423,000.00	08/26/2014
AUXVASSE**	901	DW291222-03L	995,000.00	10/06/2014
CALIFORNIA	4,278	DW291328-01L	1,601,000.00	10/16/2014
PLATTE COUNTY PWSD #3**	660	DW291315-02L	446,000.00	10/16/2014
LATHROP**	2,092	DW291195-02L	1,258,000.00	10/20/2014

SRF Binding Commitments

Fiscal Years 1997 through 2015

Project Name	Population		Amount	Closing Date
	Served	Project Number		
BELTON PHASE II	24,802	DW291314-03	2,718,000.00	09/14/2015
AUDRAIN CO. PWSD #1	1,700	DW291304-02L	164,000.00	09/28/2015
JACKSON COUNTY PWSD #16	4,520	DW291319-03L	711,000.00	09/28/2015
			34	
			\$65,458,500.00	

Funding Type: SRF GRANT

BARRY COUNTY PWSD #2 (CRESTWOOD WEST)**	182	DW291228-01G	282,000.00	06/22/2011
OSAGE COUNTY PWSD #3**	1,350	DW291216-01G	693,000.00	07/21/2011
CASS COUNTY PWSD #10**	2,610	DW291249-02G	333,684.00	09/30/2011
CLARKSBURG**	390	DW291234-01G	340,000.00	10/05/2011
CASS COUNTY PWSD #11**	2,560	DW291313-01G	534,000.00	06/06/2012
PLATTE COUNTY PWSD #3**	1,200	DW291315-01G	582,000.00	06/12/2012
ROGERSVILLE**	3,047	DW291276-01G	559,113.00	08/24/2012
JEFFERSON COUNTY WATER AUTHORITY	14,005	DW291310-01G	751,000.00	09/06/2012
POPLAR BLUFF	16,651	DW291204-02G	1,324,000.00	09/07/2012
DESLOGE*	5,105	DW291258-01G	782,000.00	10/04/2012
JEFFERSON CO. PWSD #8*	3,500	DW291322-01G	260,000.00	12/06/2012
WARSAW**	2,075	DW291293-01G	739,000.00	12/20/2012
LINN**	1,430	DW291162-04G	1,117,620.00	02/22/2013
JEFFERSON CO. PWSD #12**	3,000	DW291324-01G	866,000.00	05/22/2013
CAMERON	14,000	DW291193-04G	490,500.00	07/15/2013
JACKSON COUNTY PWSD #16	4,203	DW291319-01G	1,500,000.00	08/15/2013
MONETT	8,835	DW291327-01G	2,000,000.00	09/16/2013
DEKALB COUNTY PWSD #1	8,320	DW291341-01G	407,751.00	08/19/2014
AUXVASSE**	901	DW291222-03G	1,110,685.00	10/01/2014
CALIFORNIA	4,278	DW291328-01G	1,601,000.00	10/07/2014
LATHROP**	2,092	DW291195-02G	1,248,000.00	10/08/2014
PLATTE COUNTY PWSD #3**	660	DW291315-02G	446,000.00	10/15/2014
JACKSON COUNTY PWSD #16	4,520	DW291319-03G	702,750.00	09/09/2015
AUDRAIN CO PWSD #1	1,700	DW291304-02G	163,028.00	09/22/2015
			24	
			18,833,131.00	

Total Binding Commitments **\$380,179,483.00**

* Systems that serve <10,000 population

** Systems that serve 3,300 or less population

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Statement of Net Position
9/30/2015 - Unaudited
Exhibit 2

	<u>Loan Fund</u>	<u>Administrative Fee Fund</u>	<u>Set-Aside Fund</u>	<u>Total Enterprise Funds</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 51,335,076	\$ 10,881,265	\$ -	\$ 62,216,341
Restricted investments	3,773,121	-	-	3,773,121
Receivables:				
Loan interest	1,734,202	-	-	1,734,202
Investment interest	188,452	14,920	-	203,372
Administrative fees	-	320,482	-	320,482
Due from EPA	-	-	1,549,805	1,549,805
Current portion of loans receivable:				
Leveraged loans	12,440,000	-	-	12,440,000
Direct loans	6,524,994	-	-	6,524,994
Reserve loans	3,838,648	-	-	3,838,648
Total current assets	<u>79,834,493</u>	<u>11,216,667</u>	<u>1,549,805</u>	<u>92,600,965</u>
Non-current assets:				
Restricted investments	16,391,883	-	-	16,391,883
Loans receivable:				
Leveraged loans	106,595,000	-	-	106,595,000
Direct loans	63,329,882	-	-	63,329,882
Reserve loans	62,983,491	-	-	62,983,491
Capital assets	-	-	60,518	60,518
Less accumulated depreciation	-	-	(37,478)	(37,478)
Capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>23,040</u>	<u>23,040</u>
Total non-current assets	<u>249,300,256</u>	<u>-</u>	<u>-</u>	<u>249,300,256</u>
Total assets	<u>329,134,749</u>	<u>11,216,667</u>	<u>1,572,845</u>	<u>341,924,261</u>
 Deferred Outflows of Resources:				
Deferred refunding difference	<u>3,508,993</u>	<u>-</u>	<u>-</u>	<u>3,508,993</u>
 Liabilities:				
Current liabilities:				
Accounts payable	-	-	523,167	523,167
Salaries and benefits payable	-	-	135,078	135,078
Bond interest payable	1,662,324	-	-	1,662,324
Current portion of bonds payable	14,609,674	-	-	14,609,674
Current portion of unearned revenue	-	-	11,487	11,487
Due to other funds	-	-	-	-
Accrued Liabilities	184,070	-	-	184,070
Due to State of Missouri	-	-	891,560	891,560
Total current liabilities	<u>16,456,068</u>	<u>-</u>	<u>1,561,292</u>	<u>18,017,360</u>
Non-current liabilities:				
Unearned revenue	-	-	11,553	11,553
Bonds payable	131,819,482	-	-	131,819,482
Total non-current liabilities	<u>131,819,482</u>	<u>-</u>	<u>11,553</u>	<u>131,831,035</u>
Total liabilities	<u>148,275,550</u>	<u>-</u>	<u>1,572,845</u>	<u>149,848,395</u>
 Net position:				
Change in accounting principle	-	-	-	-
Invested in capital assets	-	-	23,040	23,040
Restricted for loans and debt service	184,368,193	11,216,668	(23,040)	195,561,821
Total net position	<u>\$ 184,368,193</u>	<u>\$ 11,216,668</u>	<u>\$ -</u>	<u>\$ 195,584,861</u>

See accompanying notes to the financial statements.

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
Period Ended September 30, 2015 - Unaudited

Exhibit 3

	<u>Loan Fund</u>	<u>Administrative Fee Fund</u>	<u>Set-Aside Fund</u>	<u>Total Enterprise Funds</u>
Operating revenues:				
Interest income on SRF loans	\$ 7,280,868	\$ -	\$ -	\$ 7,280,868
Administrative fees	- -	858,370	- -	858,370
EPA set-aside operating grants	- -	- -	6,785,382	6,785,382
Other	51,054	- -	- -	51,054
Total operating revenues	<u>7,331,922</u>	<u>858,370</u>	<u>6,785,382</u>	<u>14,975,674</u>
Operating expenses:				
Salaries and benefits	- -	275,431	2,858,445	3,133,876
Travel	- -	- -	53,482	53,482
Other administrative expenses	1,313	- -	2,851,167	2,852,480
Indirect costs	- -	70,041	997,553	1,067,594
Grant payments	3,885,533	- -	- -	3,885,533
Other expenses	17,550	- -	- -	17,550
Total operating expenses	<u>3,904,396</u>	<u>345,472</u>	<u>6,785,382</u>	<u>11,035,250</u>
Operating income (loss)	<u>3,427,526</u>	<u>512,898</u>	<u>0</u>	<u>3,940,424</u>
Non-operating revenues (expenses):				
Environmental Protection Agency grants	13,105,508	- -	- -	13,105,508
Investment income	814,592	50,625	- -	865,217
Bond issue expense	(96,806)	- -	- -	(96,806)
Interest expense on bonds payable	(6,206,923)	- -	- -	(6,206,923)
Transfer from Clean Water Program	5,000,000	- -	- -	5,000,000
Total non-operating revenues (expenses)	<u>12,616,371</u>	<u>50,625</u>	<u>- -</u>	<u>12,666,996</u>
Increase (decrease) in net position	<u>16,043,897</u>	<u>563,523</u>	<u>0</u>	<u>16,607,420</u>
Net position, beginning of year as previously stated	168,324,296	10,653,145	- -	178,977,441
Change in accounting principle	- -	- -	- -	- -
Net position, beginning of year as restated	<u>168,324,296</u>	<u>10,653,145</u>	<u>- -</u>	<u>178,977,441</u>
Net position, end of year	<u><u>\$ 184,368,193</u></u>	<u><u>\$ 11,216,668</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 195,584,861</u></u>

See accompanying notes to the financial statements.

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Statement of Cash Flows
Period Ended September 30, 2015 - Unaudited
Exhibit 4

	<u>Loan Fund</u>	<u>Administrative Fee Fund</u>	<u>Set-Aside Fund</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:				
Grant disbursements	(\$3,701,463)	\$ -	\$ -	\$ (3,701,463)
Loan disbursements	(12,330,615)	- -	- -	(12,330,615)
Repayments received on loans	21,992,757	- -	- -	21,992,757
Interest received on loans	7,380,157	- -	- -	7,380,157
Administrative fees	- -	871,981	- -	871,981
EPA set-aside grant	- -	- -	6,527,949	6,527,949
Payments to employees	- -	(275,431)	(2,851,051)	(3,126,482)
Other administrative payments	(1,313)	(70,041)	(3,994,317)	(4,065,671)
Other	51,058	- -	323,589	374,647
Net cash provided (used) by operating activities	<u>13,390,581</u>	<u>526,509</u>	<u>6,170</u>	<u>13,923,260</u>
Cash flows from noncapital financing activities:				
Bonds issued, including premium	7,137,651	- -	- -	7,137,651
Bond principal retired	(15,484,000)	- -	- -	(15,484,000)
Interest paid on bonds	(7,150,962)	- -	- -	(7,150,962)
Environmental Protection Agency grants	13,113,314	- -	- -	13,113,314
Bond issuance costs	- -	- -	- -	- -
Transfer to Clean Water Program	5,000,000	- -	- -	5,000,000
Net cash used by noncapital financing activities	<u>2,616,003</u>	<u>- -</u>	<u>- -</u>	<u>2,616,003</u>
Cash flows from investing activities:				
Proceeds from sales and investment maturities	5,074,676	- -	- -	5,074,676
Purchase of investments	(4,149,118)	- -	- -	(4,149,118)
Investment income	682,785	50,247	- -	733,032
Net cash provided by investing activities	<u>1,608,343</u>	<u>50,247</u>	<u>- -</u>	<u>1,658,590</u>
Increase (decrease) in cash and cash equivalents	17,614,927	576,756	0	18,191,683
Cash and cash equivalents, beginning of year	<u>33,816,954</u>	<u>10,304,510</u>	<u>- -</u>	<u>44,121,464</u>
Cash and cash equivalents, end of year	<u>51,431,881</u>	<u>10,881,266</u>	<u>0</u>	<u>62,313,147</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	3,427,526	512,898	- -	3,940,424
Adjustments to reconcile operating income to net cash provided by operations:				
Loan interest repayment repaid with investment	(1,903)	- -	- -	(1,903)
Depreciation expense	- -	- -	24,734	24,734
Uncollectible accounts expense	17,550	- -	- -	17,550
Changes in assets and liabilities:				
Decrease in loan interest receivable	101,190	- -	- -	101,190
Decrease in loans receivable	9,662,141	- -	- -	9,662,141
Decrease in other receivables	- -	13,611	(238,868)	(225,257)
Increase in payables	- -	- -	220,304	220,304
Net cash provided by operating activities	<u>\$ 13,206,505</u>	<u>\$ 526,509</u>	<u>\$ 6,170</u>	<u>\$ 13,739,184</u>

See accompanying notes to the financial statements.

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Statement of Fiduciary Net Position
September 30, 2015

Exhibit 5

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,074,178
Investment interest receivable	5
Total assets	<u>1,074,183</u>
Liabilities:	
Project costs payable to communities	25,735
Interest subsidies payable to communities	1
Arbitrage rebate payable	180,609
Due to other governments	451,537
Other payables	416,300
Total liabilities	<u>1,074,183</u>
Net position	<u><u>\$</u></u> <u><u>-</u></u>

See accompanying notes to the financial statements.

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6**

NOTE 1: Summary of Significant Accounting Policies

Reporting Period

These financial statements were prepared using October 1, 2014 through September 30, 2015.

Reporting Entity

The Missouri Department of Natural Resources (Department) Drinking Water State Revolving Fund (SRF) Program was established pursuant to the Safe Drinking Water Act (SDWA) Amendments of 1996. Section 1452 of this Act authorizes the Administrator of the U.S. Environmental Protection Agency (EPA) to establish a Drinking Water SRF Program to assist public water systems with financing the costs of infrastructure needed to achieve or maintain compliance with the SDWA requirements, to protect public health, and to allow states to carry out prevention programs.

The Drinking Water SRF was capitalized by the EPA through a series of grants starting in 1997. For most of the grants, states are required to provide an additional 20 percent of the federal capitalization grant as matching funds. As of September 30, 2015, Congress had authorized EPA to award \$324,917,331 in capitalization grants to the State of Missouri. The state is required to contribute \$57,411,066 in matching funds.

The program is administered by the Department, the Missouri Environmental Improvement and Energy Resources Authority (EIERA), and the Department's Safe Drinking Water Commission. The EIERA issues bonds or notes to finance qualified projects, and the Department receives the capitalization grants from the EPA. The program is comprised of four funds within the state and an agency fund that holds the construction loan funds. The state funds are:

- Water and Wastewater Loan Fund (fund 0649) – receives the federal capitalization grant funds and uses those funds to make grants and loans;
- Water and Wastewater Loan Revolving Fund (fund 0602) - receives loan repayments and uses those funds to make new loans;
- Administrative Fee Fund (fund 0568) - receives the loan fees charged to borrowers and can be used to pay administrative costs of the program; and
- Department of Natural Resources Federal Fund (fund 0140) - receives federal capitalization grant funds that fund set-aside activities.

The Agency Fund accounts for the monies held at trustee banks on behalf of the loan participants, as well as the rebate funds held for arbitrage payments.

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6**

NOTE 1: Summary of Significant Accounting Policies - continued

The State of Missouri's statewide Comprehensive Annual Financial Report includes the Drinking Water SRF Program as a special revenue fund, which uses the modified accrual basis of accounting. Due to differences in reporting methods, there may be differences between the amounts reported in these financial statements and the Comprehensive Annual Financial Report. One major difference between the amounts reported in these reports is that the agency fund is not included in the Comprehensive Annual Financial Report but is shown in these financial statements.

Program Operations

The program provides financing to participants using three main types of funding: leveraged and reserve loans, direct loans, and grants.

A. Leveraged and Reserve Loans

Prior to state fiscal year 2010, the program's main type of financing was through the use of leveraged and reserve loans. Missouri leverages federal and state matching funds by issuing revenue bonds to make loans to qualified communities and by using federal grant and state matching funds to create reserves for the loans. Interest earned on the reserves subsidizes loan interest rates and enhances the security of the loans, which are pledged to repay bond principal and interest. Borrowers, in essence, receive two loans from the SRF: a market-rate loan funded by the revenue bond proceeds that equals project construction costs, and a zero-rate loan funded by capitalization grants and state matching funds that funds the reserves for the bonds. Bond proceeds are deposited to the construction loan accounts, which are held by the trustee bank. As communities draw on these funds to pay construction costs, a percentage of that amount (33.33 percent for bonds issued prior to 2002, 50 percent for bonds issued from 2002-2003, and 70 percent for bonds issued after 2003) is transferred to a reserve account established for each borrower. For loans closed in state fiscal year 2009, the reserve accounts were funded at closing rather than as construction funds were released. Earnings in the reserve account reduce the borrower's net interest payments on the bonds, resulting in the subsidized, blended interest rate on the project loan.

Beginning with bond series 2003C, a portion of the revenue bonds sold to fund the leveraged loans are state match bonds that will be repaid with interest earnings on the loans. The state match bond proceeds are used to fund a portion of the construction loan account, while the reserve account is funded with federal grant and recycled funds.

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6

NOTE 1: Summary of Significant Accounting Policies - continued

B. Direct Loans

Direct loans that were closed on prior to state fiscal year 2010 were funded from the Water and Wastewater Loan Revolving Fund. Loan proceeds are deposited to the Construction loan accounts, which are held by the trustee bank. As construction costs are incurred, funds are released from the trustee bank to the borrower. The borrower repays the loan by making monthly principal and interest payments to the trustee bank. On the debt service due dates, the trustee bank makes the debt service payment to the program.

During state fiscal year 2010, the program changed how it funds direct loans. Instead of funding the loan up front and holding the funds at a trustee bank, the loan is funded incrementally as construction costs are incurred and funds are requested by the loan recipient. The borrower repays the loan by making quarterly principal and interest payments to the trustee bank. These loans are funded with federal grant and/or recycled funds.

C. Grants

Missouri was awarded the American Recovery and Reinvestment Act (ARRA) capitalization grant during state fiscal year 2010. The terms and conditions of the ARRA capitalization grant required that not less than 50 percent of assistance provided be in the form of additional loan subsidies, such as principal forgiveness, negative interest loans or grants. Missouri chose to provide the required additional subsidization through grants. ARRA projects were funded through a combination of 50 percent grant and 50 percent loan with a maximum grant of \$2,000,000 per applicant. Disadvantaged communities were eligible for a 75 percent grant with a 25 percent direct loan. Grant payments were made directly to the recipient as construction costs were incurred.

Terms and conditions of the following capitalization grants require that additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants be provided. Missouri has chosen to provide the additional subsidization through grants. The following table lists the ranges at which additional subsidization is required:

Federal Fiscal Year	Drinking Water Capitalization Grant	State Fiscal Year Awarded	Minimum	Maximum
2010	FS997629-10	2011		30.00 percent
2011	FS997629-11	2012		30.00 percent
2012	FS997629-12	2013	20.00 percent	30.00 percent
2013	FS997629-13	2014	20.00 percent	30.00 percent
2014	FS997629-14	2014	20.00 percent	30.00 percent
2015	FS997629-15	2015	20.00 percent	30.00 percent

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6**

NOTE 1: Summary of Significant Accounting Policies - continued

Basis of Accounting

The financial statements include enterprise funds and a fiduciary fund. The loan, administrative fee and set-aside funds are presented as enterprise funds and the agency fund is presented as a fiduciary fund. All funds are maintained on the accrual basis. The enterprise funds are accounted for using the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred.

All assets, deferred inflows and outflows of resources and liabilities associated with the operations of the enterprise funds are included on the Statement of Net Position. The assets and liabilities of the agency fund are included on the Statement of Fiduciary Net Position.

Drinking Water SRF reports the following major funds:

Loan Fund. The loan fund provides financial assistance to municipalities, counties, political subdivisions and instrumentalities of the state. Funding for these loan programs is generated from federal capitalization grants, proceeds of revenue bonds issued to provide required state matching monies, proceeds of revenue bonds issued for the leveraged program, and recycled monies.

Administrative Fee Fund. This fund accounts for the administrative fees received on loans and the use of those fees to pay salaries and associated expenses of program personnel devoting time to the administration of the program. Currently, salaries and associated expenses of program personnel are being paid from the set-aside fund.

Set-Aside Fund. The set-aside fund provides monies to establish and implement programs with emphasis on preventing contamination problems through source-water protection and encouraging better system operations. The Drinking Water SRF Program allows states to reserve up to 31 percent of the capitalization grant to use towards Administration and Technical Assistance, Small System Technical Assistance, Public Water System Supervision Program Management and Local Assistance and Other State Programs. In 2015, the Department reserved 31 percent of the federal fiscal year 2015 grant for set-aside activities.

In addition, the program reports the following fund type:

Agency Fund. This fund accounts for monies held on behalf of municipalities, counties, political subdivisions, and instrumentalities of the state. This fund includes the funds

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6**

NOTE 1: Summary of Significant Accounting Policies - continued

generated by the sale of the bonds, which are deposited with a trustee bank in the applicant's name and are used for SRF eligible activities.

Cash, Cash Equivalents and Investments

A. Enterprise Funds

All monies in the four state funds (funds 0140, 0568, 0602, and 0649) are required to be deposited with the Missouri State Treasurer's Office, which is responsible for maintaining the deposits in accordance with state law. The program considers all such deposits to be cash. Investment interest earnings on these deposits are received by the program periodically throughout the month.

According to state law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the program, as further discussed in Note 2. Consequently, management of the program does not have any control over the investment of the excess cash. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

Monies of the enterprise funds that are held at the trustee bank are invested in either money market mutual funds, guaranteed investment contracts (GIC), or state and local government series securities (SLGS) by the trustee bank. The money market mutual funds are considered to be cash or cash equivalents. The SLGS are longer term investments and are stated at fair value. The GIC's are stated at cost as they are not negotiable or transferable and are not affected by market fluctuations. The enterprise funds do not include monies held at trustee banks on behalf of the loan participants. Those monies are accounted for under the agency fund.

B. Agency Fund

The agency fund accounts for the monies held at trustee banks on behalf of the loan participants, as well as the rebate funds held for arbitrage payments. The program considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Operating Revenues and Expenses

Revenues and expenses as a result of providing loans and grants to participants are considered operating revenues and expenses. Operating revenues include interest earned

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6**

NOTE 1: Summary of Significant Accounting Policies - continued

on loans, administrative fee revenue, and operating grants. Operating expenses include grant payments and accruals, salaries, benefits, and other administrative expenses.

The non-operating revenues and expenses of the program are investment income, EPA capitalization grant revenues and bond related expenses.

Accruals for Disbursement of Grant Funds

The accruals for disbursement of grant funds are actual expenses that were incurred by the sub-recipient during the reporting period of October 1, 2014 through September 30, 2015, but not submitted to the department until after the reporting period. The accruals for disbursement of grant funds are reported for pay requests received by the department through the year end lapse period of October 31, 2015, which follows SAM II Financial one month year end closing procedures. During the period ending October 31, 2015, \$184,070 of accruals for disbursement of grants was reported for the loan fund. On or after October 31st, closing entries will be processed, which will close all accounts in the General Ledger. The department acknowledges that it is possible that some sub-recipients may not submit pay requests until several months after October 31st for work performed during the reporting period; however, the department reasonably anticipates that these amounts would not materially alter the financial statements.

Administrative Fees

The program charges an administrative fee to borrowers to fund administrative costs of operating the program. The program's administrative expenses are currently paid with grant set-aside funds instead of with funds from the administrative fee fund. During the reporting period ending September 30, 2015, \$871,981 was collected for administrative fees from borrowers and \$50,247 of investment interest was received. The cash balance of the administrative fee fund was \$10,881,266 as of September 30, 2015.

Bonds Payable

Bonds issued prior to 2010 are special limited obligations of EIERA, payable from borrower loan repayments and a reserve account established for each borrower in accordance with a master trust agreement. Interest expense is reported on the accrual basis. Due to the flow-through effect of the bonds and related receivables, bond discounts, premiums and issuance costs are not reported by the program since they represent the costs of the borrowers.

Borrowers make monthly payments to debt service repayment accounts, which also earn interest that further subsidizes the interest rates. On bond payment dates, transfers are

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6**

NOTE 1: Summary of Significant Accounting Policies - continued

made from the repayment accounts to the debt service funds to make the semi-annual interest payments and annual bond principal payments. Interest earnings on the construction loan accounts and reserve accounts are also transferred to the debt service funds on the bond payment dates. These interest earnings reduce the amount that is needed from the repayment accounts.

As outstanding bond principal is reduced, a proportional amount is released from the reserve account. The released amounts flow to the master trust unallocated fund, and, if there are no defaults, are transferred to the Water and Wastewater Loan Revolving Fund to be used to make new loans.

Bonds issued since 2010 are different than previous issues. There is no longer a direct link between the bonds and the loans. Any premium or cost of issuing the bonds is no longer passed on to the loan borrower. Therefore, those amounts are reported on the program's financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The program only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The program has no items that qualify for reporting in this category.

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6**

NOTE 1: Summary of Significant Accounting Policies (continued)

Pending Governmental Accounting Standards Board Statements

GASB Statement No. 72

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. The objective of this Statement is to address financial reporting issues related to fair value measurements. The statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for periods beginning after June 15, 2015.

GASB Statement No. 76

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6**

NOTE 2: Cash, Cash Equivalents and Investments

State Funds

All cash in the four state funds (funds 0140, 0568, 0602, and 0649) is required to be deposited with the State Treasurer, who is responsible for maintaining and investing the pooled cash balances in accordance with state laws. The Treasurer is required to maintain a mix of investments in order to allow funds to be withdrawn at any time to meet normal operating needs. The program's share of the investment income from the local government investment pool is based on the average daily balance for the period and is credited to the program periodically throughout the month.

The Treasurer has its own policies for custodial credit risk, interest rate risk, credit risk, concentration of credit risk and foreign currency risk. Details of the investments and risks can be obtained from the State Treasurer's Office.

All cash and investments in the local investment pool are stated at cost, which approximates fair value. The investments in the local government investment pool are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Trustee Bank Funds

All cash and investments held by trustee banks are invested in accordance with the trustee investment agreement and the bond indentures. Allowable investments include:

- Federal securities.
- Direct and general obligations of the State which are pledged by the full faith and credit of the State and are rated in either of the two highest rating categories.
- Deposits at banks, trust companies or savings and loan associations which are fully insured by FDIC.
- Federal funds, unsecured certificates of deposit, time deposits and banker acceptances (having maturities of not more than 365 days) of any bank and which are rated in the highest short term rating category.
- Unsecured promissory notes of any bank, trust company, national banking association or bank holding company equal to such institution's outstanding unsecured long term debt that is rated in the highest rating category.
- Tax exempt permitted investments.
- Any other investment agreement with a provider which is rated, or whose unsecured, long term obligations are rated at least "Aa2" or equivalent, or with a provider whose obligations are guaranteed by a guarantor which is rated, or whose unsecured, long term obligations are rated at least "Aa2" or equivalent.
- Commercial paper issued by domestic corporations rated in the second highest short term rating category.
- Shares in money market mutual funds rated in the highest applicable rating category.

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
Exhibit 6

NOTE 2: Cash, Cash Equivalents and Investments - continued

Custodial credit risk. This is the risk that, in the event of the failure of the counterparty, the program will not be able to recover the value of its deposits or investments. Of the cash and cash equivalents held by the trustee banks, \$6 of deposits was exposed to a custodial credit risk because it was collateralized with securities held by the counterparty's trust department but not in the name of the program. The remaining \$1,779,016 of cash and cash equivalents is invested in money market mutual funds. The money market mutual funds and the guaranteed investment contracts are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The state and local government series securities are uninsured.

As of September 30, 2015, the agency fund and the loan fund had the following investments:

		Investment Maturities
Investment Type	Fair Value	<1 Year
Money Market Mutual Funds	\$1,779,016	\$1,779,016
Guaranteed Investment	\$886,333	\$886,333
Gov't Agency & State and Local	\$2,886,788	\$2,886,788
	\$5,552,137	\$5,552,137

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the investment's fair value. The program does not have a policy to address interest rate risk.

Credit risk. The trustee banks are responsible for monitoring credit risk as it relates to the types of investments that can be made in accordance with the trustee investment agreement. The program has no investment policy that further limits its investment choices. As of September 30, 2015, the program's money market mutual funds are rated AAA by Standard and Poor's. The state and local government series securities and guaranteed investment contracts are unrated.

Concentration of credit risk. The program places no limit on the amount that may be invested with any one issuer. The percent of total investments held by each provider as of September 30, 2015 is as follows:

Investment Issuer	Fair Value	Percent of Total
Westdeutsche Landesbank Girozentrale	\$869,666	98%
CDC Funding Corp	\$16,667	2%

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
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NOTE 3: Loans Receivable

Loans receivable consist of three types: leveraged loans, reserve loans, and direct loans. Leveraged loans are funded by the sale of revenue bonds, the proceeds of which are deposited to a construction loan fund. Borrowers are loaned funds from the construction loan fund to pay for construction costs incurred. The terms of the loans mirror the terms of the bonds in order to provide the funds to pay bond interest and principal according to the terms of the bonds. In conjunction with the leveraged loan that funds construction, a reserve loan is made to provide an interest subsidy to the borrower and to provide security for bond principal and interest.

With direct loans, there is no bond sale directly related to the loan. The loans are funded directly from the federal capitalization grant or recycled monies.

The following details the three types of loans as of September 30, 2015:

<u>Loan Type</u>	<u>Loan Amount</u>	<u>Outstanding</u>
	<u>Authorized</u>	<u>Balance</u>
Leveraged Loans	\$250,735,000	\$119,035,000
Reserve Loans	133,403,148	69,508,485
Direct Loans	106,161,700	67,168,531
Totals	<u>\$490,299,848</u>	<u>\$255,712,016</u>
Less Current Maturities		22,516,101
Loans Receivable, Net of Current Portion		<u>\$233,195,915</u>

Loans receivable activity during the year ended September 30, 2015 is summarized as follows:

Type of Loan	9/30/2014			9/30/2015
	Balance	Disbursements	Repayments	Balance
Direct Loans	\$57,923,973	\$12,109,391	\$(2,864,834)	\$67,168,531
Leveraged Loans	131,635,000	190,000	(12,790,000)	119,035,000
Reserve Loans	76,708,796	97,209	(7,297,519)	69,508,485
	<u>\$266,267,769</u>	<u>\$12,396,600</u>	<u>\$(22,952,353)</u>	<u>\$255,712,016</u>

Missouri Department of Natural Resources
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NOTE 3: Loans Receivable - continued

Loan Maturities

The scheduled principal payments in subsequent years are as follows:

Year Ending Sept 30	Direct Loans	Leveraged Loans	Reserve Loans	Total
2016	\$3,548,045	\$12,440,000	\$6,528,056	\$22,516,101
2017	3,999,400	12,355,000	6,555,462	22,909,862
2018	4,066,193	12,565,000	6,731,792	23,362,985
2019	4,137,084	13,270,000	7,012,527	24,419,611
2020	4,217,300	12,755,000	7,050,701	24,023,001
2021-2025	20,205,540	47,560,000	29,952,557	97,718,097
2026-2030	20,937,053	8,090,000	5,677,391	34,704,444
2031-2035	6,057,915	0	0	6,057,916
Total	<u>\$67,168,530</u>	<u>\$119,035,000</u>	<u>\$69,508,486</u>	<u>\$255,712,017</u>

Loans to Major Local Recipients

As of September 30, 2015, the program had made leveraged loans to six agencies that, in the aggregate, exceeded \$13,000,000. The outstanding balances of the leveraged and reserve loans for these agencies represent approximately 30 percent of the total loans receivable, as follows:

<u>Borrower</u>	Original Amount	Outstanding Balance	Reserve Balance
Tri-County Water Authority	\$42,995,000	\$26,080,000	\$18,903,467
Osage Beach	33,210,000	16,900,000	9,076,401
Cape Girardeau	27,495,000	783,600	0
Clarence Cannon WWC	23,980,000	14,032,000	5,074,862
Jefferson County Water Authority	20,167,000	11,702,200	4,596,126
Monett	13,012,000	9,973,875	0
Total	<u>\$160,859,000</u>	<u>\$79,471,675</u>	<u>\$37,650,856</u>

**Missouri Department of Natural Resources
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NOTE 4: Bonds Payable

The Missouri Drinking Water SRF Program issues revenue bonds as well as using federal capitalization grants and state matching funds to finance qualified projects. Bonds payable and loans receivable are recorded in the loan fund. Cash and project costs payable are recorded in the agency fund. For bond series 2008A, the reserves were fully funded on the day of bond closing, rather than being funded incrementally as construction funds are released. Interest earned on the construction loan fund and the reserve fund subsidizes the interest on the borrower's loan. As borrowers repay the loans, the interest and principal serve as the source of funds to pay bond principal and interest.

Beginning with bond series 2003C, state match bonds were issued by the EIERA in addition to leveraged bonds. Proceeds from both the state match bonds and the leveraged bonds are deposited into the borrowers' accounts at the trustee bank. The reserves for the leveraged bonds are then funded by federal capitalization grants or recycled funds.

In state fiscal year 2011, revenue bond series 2010B was issued. Proceeds of this bond sale went to the recycled fund to provide additional funding for new loans. In state fiscal year 2015, state match revenue bond series 2015A was issued by EIERA. Proceeds from this bond sale were also deposited into the recycled fund to provide funding for new loans. These bond sales are different from previous bonds in that the 2010B and 2015A bonds were not sold to provide funding for a specific group of loans. They were to provide additional funding that can be used to fund any loan being funded with recycled monies. The principal and interest repayments on the program's direct loans have been pledged to make the principal and interest repayments on the bonds.

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
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NOTE 4: Bonds Payable - continued

As of September 30, 2015, 26 separate bond issues had been sold which totaled \$368,670,000. The individual series, outstanding balances, and principal due included:

Series	Amount Issued	Outstanding Balance	Current Portion	Effective Rate to Community
Revenue Bond Series 1998B interest of 3.45% to 5.25% due semi-annually, principal due annually to January 2019.	\$28,795,000	\$42,100	\$13,500	3.08
Revenue Bond Series 1999A interest of 3.625% to 5.25% due semi-annually, principal due annually to January 2017.	2,315,000	425,000	425,000	3.07
Revenue Bond Series 1999B interest of 4.125% to 5.75% due semi-annually, principal due annually to July 2020.	4,320,000	125,000	35,000	3.57
Revenue Bond Series 2000A interest of 4.6% to 5.75% due semi-annually, principal due annually to July 2020.	20,490,000	295,000	100,000	3.51
Revenue Bond Series 2000B interest of 4.5% to 5.625% due semi-annually, principal due annually to July 2021.	6,810,000	180,000	45,000	3.37
Revenue Bond Series 2001A interest of 4.0% to 5.0% due semi-annually, principal due annually to January 2022.	6,295,000	130,000	30,000	2.93
Revenue Bond Series 2001C interest of 3.0% to 5.375% due semi-annually, principal due annually to July 2023.	23,400,000	5,990,000	1,555,000	3.45

Missouri Department of Natural Resources
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Notes to the Financial Statements – Unaudited
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NOTE 4: Bonds Payable - continued

Series	Amount Issued	Outstanding Balance	Current Portion	Effective Rate to Community
Revenue Bond Series 2002A interest of 2.0% to 5.375% due semi-annually, principal due annually to January 2023.	\$10,370,000	570,000	90,000	2.43
Revenue Bond Series 2002B interest of 2.0% to 5.50% due semi-annually, principal due annually to July 2023.	26,705,000	1,040,000	235,000	2.43
Revenue Bond Series 2003B interest of 2.0% to 5.125% due semi-annually, principal due annually to January 2024.	11,445,000	700,000	115,000	2.18
Revenue Bond Series 2003C interest of 2.0% to 5.0% due semi-annually, principal due annually to July 2023.	11,290,000	355,000	75,000	1.70
2003C Leveraged Portion	9,795,000	10,000	0	
2003C State Match Portion	1,495,000	345,000	75,000	
Revenue Bond Series 2004A interest of 2.0% to 5.0% due semi-annually, principal due annually to July 2021. (Refunding Bonds)	17,325,000	9,715,000	1,870,000	n/a
Revenue Bond Series 2004B interest of 2.0% to 5.25% due semi-annually, principal due annually to January 2024.	3,605,000	2,600,000	250,000	1.63
2004B Leveraged Portion	2,950,000	2,360,000	210,000	
2004B State Match Portion	655,000	240,000	40,000	
Revenue Bond Series 2004C interest of 3.0% to 5.25% due semi-annually, principal due annually to January 2026.	9,720,000	1,965,000	175,000	1.63
2004C Leveraged Portion	7,865,000	1,360,000	0	
2004C State Match Portion	1,855,000	605,000	175,000	

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
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NOTE 4: Bonds Payable - continued

Series	Amount Issued	Outstanding Balance	Current Portion	Effective Rate to Community
Revenue Bond Series 2005A interest of 3.0% to 5.0% due semi-annually, principal due annually to July 2025.	28,105,000	2,525,000	385,000	1.77
2005A Leveraged Portion	22,745,000	585,000	90,000	
2005A State Match Portion	5,360,000	1,940,000	295,000	
Revenue Bond Series 2005C interest of 3.25% to 5.25% due semi-annually, principal due annually to July 2026.	29,780,000	9,335,000	1,275,000	1.34
2005C Leveraged Portion	23,930,000	6,870,000	955,000	
2005C State Match Portion	5,850,000	2,465,000	320,000	
Revenue Bond Series 2006A interest of 3.6% to 5.25% due semi-annually, principal due annually to July 2026.	2,000,000	760,000	100,000	1.55
2006A Leveraged Portion	1,610,000	620,000	75,000	
2006A State Match Portion	390,000	140,000	25,000	
Revenue Bond Series 2006B interest of 4.0% to 5.0% due semi-annually, principal due annually to July 2027.	2,295,000	820,000	120,000	1.58
2006B Leveraged Portion	1,960,000	655,000	95,000	
2006B State Match Portion	335,000	165,000	25,000	
Revenue Bond Series 2007A interest of 4.0% to 4.75% due semi-annually, principal due annually to January 2028.	11,805,000	8,195,000	560,000	1.33
2007A Leveraged Portion	10,095,000	7,375,000	455,000	
2007A State Match Portion	1,710,000	820,000	105,000	
Revenue Bond Series 2007B interest of 4.0% to 5.0% due semi-annually, principal due annually to January 2026.	385,000	260,000	25,000	1.51

Missouri Department of Natural Resources
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NOTE 4: Bonds Payable - continued

Series	Amount Issued	Outstanding Balance	Current Portion	Effective Rate to Community
Revenue Bond Series 2008A interest of 4.0% to 5.75% due semi-annually, principal due annually to January 2029.	\$10,805,000	8,175,000	485,000	1.63
2008A Leveraged Portion	9,255,000	7,270,000	385,000	
2008A State Match Portion	1,550,000	905,000	100,000	
Revenue Bond Series 2010A interest of 2.0% to 5.0% due semi-annually, principal due annually to January 2024. (Refunding Bonds)	35,920,000	25,260,000	3,730,000	n/a
Revenue Bond Series 2010B interest of 2.0% to 5.0% due semi-annually, principal due annually to July 2030.	12,605,000	10,155,000	625,000	n/a
2010B Leveraged Portion	7,860,000	7,030,000	270,000	
2010B State Match Portion	4,745,000	3,125,000	355,000	
Revenue Bond Series 2011A interest of 2.0% to 5.0% due semi-annually, principal due annually to January 2024. (Refunding Bonds)	10,480,000	9,330,000	835,000	n/a
Revenue Bond Series 2013A Interest of 2.0% to 5.0% due semi-annually, principal due annually to January 2027. (Refunding Bonds)	35,630,000	33,030,000	1,850,000	
Revenue Bond Series 2015A Interest of 1.5% to 5.0% due semi-annually, principal due semi-annually to January 2036. (State Match)	<u>5,975,000</u>	<u>5,720,000</u>	<u>460,000</u>	
Total Leveraged Bonds	\$338,750,000	\$121,227,100	\$13,463,500	
Total State Match Bonds	29,920,000	16,470,000	1,975,000	
Premium on Bonds		9,110,064	1,432,732	
Deferred Amounts		(3,684,133)	(666,591)	
Total Revenue Bonds	<u>\$368,670,000</u>	<u>\$143,123,031</u>	<u>\$14,613,709</u>	

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
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NOTE 4: Bonds Payable - continued

Bond activity during the year ended September 30, 2015 is summarized as follows:

	9/30/2014 Balance	Repayments	New Issues	9/30/2015 Balance
Leveraged Program Bonds	\$134,631,100	\$(13,404,000)	\$0	\$121,227,100
State Match Bonds	12,265,000	(1,770,000)	5,975,000	16,470,000
Premium on Bonds	9,420,421	(1,541,016)	852,651	8,732,056
Total	\$156,316,521	\$(16,715,016)	\$6,827,651	\$146,429,156

The required annual payments, not including premium and deferred amounts, for all revenue bonds in subsequent fiscal years are as follows:

Leveraged Bonds

Year Ending Sept 30	Principal	Interest	Total
2016	\$13,508,500	\$5,779,122	\$19,287,622
2017	13,580,000	5,178,891	18,758,891
2018	13,963,600	4,488,105	18,451,705
2019	10,750,000	3,846,783	14,596,783
2020	11,760,000	3,279,871	15,039,871
2021-2025	46,880,000	8,529,050	55,409,050
2026-2030	10,785,000	999,582	11,784,582
2031-2035	0	0	0
2036-2040	0	0	0
Total	\$121,227,100	\$32,101,404	\$153,328,504

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
Notes to the Financial Statements – Unaudited
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NOTE 4: Bonds Payable - continued

Match Bonds

Year Ending Sept 30	Principal	Interest	Total
2016	\$1,975,000	\$724,344	\$2,699,344
2017	1,780,000	648,514	2,428,514
2018	1,685,000	569,087	2,254,087
2019	1,620,000	493,413	2,113,413
2020	1,515,000	416,988	1,931,988
2021-2025	5,480,000	1,189,065	6,669,065
2026-2030	1,910,000	266,569	2,176,569
2031-2035	485,000	38,306	523,306
2036-2040	20,000	338	20,338
	<u>\$16,470,000</u>	<u>\$4,346,624</u>	<u>\$20,816,624</u>

NOTE 5: Arbitrage Rebate

Advance Refundings

Four separate refunding bond series (Series 2004A, 2010A, 2011A and 2013A) totaling \$99,355,000 have been issued to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in irrevocable trusts for the purpose of generating resources for future debt service payments of \$66,632,450 of revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. As of September 30, 2015, the amount of refunded bonds that had yet to be called totaled \$10,630,000.

In accordance with Internal Revenue Code Section 148(f) relating to arbitrage restrictions on tax-exempt bonds, an arbitrage rebate payable in the amount of \$180,609 has been recorded. This liability is cumulative for the Series 2007A bonds. The portion of this pending rebate of excess investment earnings that is attributable to each series is due no later than 60 days after each installment computation date. The next installment computation date for each this series is the earlier of January 1, 2016 or date the last Bond is paid.

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
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NOTE 6: Net Position

The net position of the program is all restricted. The program's enabling legislation and related regulations require that all money in the fund be used only for purposes of the program.

The program is capitalized by grants from the EPA, authorized by Section 1452 of the Safe Drinking Water Act, and matching funds from the State of Missouri. As of September 30, 2015, the EPA has awarded capitalization grants totaling \$324,917,331 of which \$258,044,036 has been drawn. During 2013, \$18,500,000 of capitalization grant funds were transferred to the Clean Water SRF program. The adjusted award amount of \$306,136,517 includes the \$1,444 in-kind amount on the FS997629-00, the \$100,000 in-kind amounts on the FS997629-06, FS997629-08 and FS997629-11 grants and in 2014 \$5,000 was transferred to in-kind. These amounts are not available to be drawn.

The following summarizes the capitalization grants awarded, amounts drawn on each grant, and balances available:

Grant ID	Grant Amount	Total Draws		Total Draws Sept 30, 2015	Available Sept 30, 2015
		June 30, 2014	2015 Draws		
FS997629-97	\$21,856,417	\$21,856,417	\$0	\$21,856,417	\$0
FS997629-98	9,572,970	9,572,970	0	9,572,970	0
FS997629-99	10,034,771	10,034,771	0	10,034,771	0
FS997629-00	10,428,256	10,428,256	0	10,428,256	0
FS997629-01	10,472,900	10,472,900	0	10,472,900	0
FS997629-02	11,702,600	11,702,600	0	11,702,600	0
FS997629-03	11,633,700	11,633,700	0	11,633,700	0
FS997629-04	12,066,800	12,066,800	0	12,066,800	0
FS997629-05	12,041,300	12,041,273	0	12,041,273	0
FS997629-06	15,878,200	15,878,200	0	15,878,200	0
FS997629-07*	12,578,000	12,578,000	0	12,578,000	0
FS997629-08*	10,616,000	10,616,000	0	10,616,000	0
FS997629-09*	10,616,000	10,616,000	0	10,616,000	0
FS997629-10*	21,434,000	21,434,000	0	21,434,000	0
2F977082-01	37,862,000	37,862,000	0	37,862,000	0
FS997629-11	18,129,603	16,681,244	1,448,359	18,129,603	0
FS997629-12	17,348,000	2,935,448	14,412,552	17,348,000	0
FS997629-13*	16,277,000	0	3,772,546	3,772,546	12,504,454
FS997629-14	17,850,000	0	0	0	17,850,000
FS997629-15	17,738,000	0	0	0	17,738,000
	\$306,136,517	\$238,410,579	\$19,633,457	\$258,044,036	\$48,092,454

*These grants were amended during state fiscal year 2013.

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
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NOTE 6: Net Position - continued

As of September 30, 2015, state matching contributions were as follows:

	Sept 30, 2014	2015 Contribution	Sept 30, 2015
State Appropriations	\$15,504,549	\$0	\$15,504,549
State Match Bonds (sold by EIERA)	24,447,276	6,826,400	31,273,676
Rural Water Grants	7,085,242	0	7,085,242
Total State Match	\$47,037,067	\$6,826,400	\$53,863,467

The state match bonds sold by EIERA are being repaid with Drinking Water SRF interest earnings and are not contributions to fund equity. The state match provided by the Rural Water Grants are not contributions to fund equity as these grants were funded by proceeds from Missouri State Bond Sales prior to 2012.

NOTE 7: Set-Aside Costs

The Federal Safe Drinking Water Act allows states to reserve, or “set-aside” up to 31 percent of the capitalization grant to implement and maintain activities to help public water systems provide safe drinking water to the public. The Safe Drinking Water Act establishes four categories of set-asides and sets a maximum amount for each. In state fiscal year 2015, the Department reserved 31 percent of the federal fiscal year 2015 grant for set-aside activities.

Set-Aside Capitalization Grant Balances

The following capitalization grants have balances available to draw for set-aside activities which are detailed by set-aside category of available funding.

Grant	Program Administration and Technical Assistance	Small System Technical Assistance	Public Water System Supervision	Local Assistance and Other State Programs	Total Funds Available
2013	\$157,116	\$251,023	\$398,872	\$466,312	\$1,273,324
2014	709,200	357,100	1,785,500	2,678,250	5,530,050
2015	709,520	354,760	1,773,800	2,660,700	5,498,780
Total	\$1,575,836	\$962,883	\$3,958,172	\$5,805,262	\$12,302,154

Missouri Department of Natural Resources
Drinking Water State Revolving Fund
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NOTE 7: Set-Aside Costs - continued

Set-Aside Federal Draws

The table below identifies the total amounts drawn from each of the capitalization grants for set-aside activities as of September 30, 2015:

Grant	Program Administration and Technical Assistance	Small Systems Technical Assistance	Public Water System Supervision	Local Assistance and Other State Programs	Total Set-Aside
1997	\$874,304	\$436,780	\$1,435,760	\$1,834,798	\$4,581,642
1998	382,996	191,227	956,241	0	1,530,464
1999	401,416	200,704	1,003,034	0	1,605,155
2000	350,092	207,835	1,043,573	0	1,601,500
2001	414,990	209,110	1,043,225	0	1,667,325
2002	133,446	110,994	826,088	443,559	1,514,087
2003	454,980	227,490	1,137,450	568,725	2,388,645
2004	482,672	241,336	1,206,680	603,340	2,534,028
2005	481,652	240,777	1,204,130	1,204,152	3,130,711
2006	539,128	319,564	1,297,820	1,397,820	3,554,332
2007	639,120	319,560	1,597,800	798,900	3,355,380
2008	632,640	316,320	1,581,600	1,581,600	4,112,160
2009	632,640	316,320	1,581,600	1,581,600	4,112,160
ARRA	700,000	757,240	0	0	1,457,240
2010	1,049,360	524,680	2,623,400	3,935,100	8,132,540
2011	728,160	364,080	1,820,400	2,730,600	5,643,240
2012	693,920	346,960	1,734,800	2,602,199	5,377,880
2013	493,964	74,517	1,228,828	1,975,238	3,772,546
2014	0	0	0	0	0
2015	0	0	0	0	0
Total	\$10,085,480	\$5,405,494	\$23,322,429	\$21,257,631	\$60,071,035

**Missouri Department of Natural Resources
Drinking Water State Revolving Fund
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NOTE 8: Defined Benefit Pension Plan

Plan Description

The State of Missouri participates in the Missouri State Employees' Plan, which is a single-employer defined benefit pension plan administered by the Missouri State Employees' Retirement System, known as MOSERS, as provided by the Revised Statutes of Missouri Sections 104.010 and 104.312 to 104.1215. MOSERS provides retirement, death and disability benefits to its members. Missouri law establishes and amends benefit provisions. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to Missouri State Employees' Retirement System at P.O. Box 209, 907 Wildwood, Jefferson City, Missouri 65102-0209.

Funding Policy

The State of Missouri is obligated by state law to make all required contributions to the Missouri State Employees' Plan. The actuarially determined contributions are expressed as a level percentage of covered payroll. The actuarially determined contributions rate for the Missouri State Employees' Plan was 16.97 percent for the year beginning July 1, 2014 and is currently 16.97 percent for the year beginning July 1, 2015. Actual contribution rates are the same as the actuarially determined rates. The amount of retirement contributions paid by the State of Missouri and allocated to expense of the program was \$328,328 for the year ended September 30, 2015.

NOTE 9: Contingencies

The program is exposed to various risks of loss related to torts, theft of assets, errors or omissions, injuries to state employees while performing program business or acts of God. The program maintains insurance through the State of Missouri for all risks of loss, which is included in the indirect costs allocated to the program. There have not been any claims against the program since its inception in 1997.

NOTE 10: Subsequent Events

On December 22, 2015, refunding revenue bond series 2015B was issued in the amount of \$136,105,000. \$19,565,000 of the refunding bonds was issued for the Drinking Water SRF program with the balance of the bonds issued for the Clean Water SRF program.

In March 2016, \$3,547,600 was transferred from the administrative fee fund into the loan fund and subsequently disbursed as state match for the 2015 federal capitalization grant. In November 2016, \$3,356,200 was transferred from the administrative fee fund into the loan fund and disbursed as state match for the 2016 federal capitalization grant.

**Drinking Water SRF Source and Distribution of Funds
Fund 0568**

For Reporting Period October 1, 2014 through September 30, 2015

2015 Reporting Period Income	Program Income Earned During Grant Period	Program Income Earned After Grant Period	Non-Program Income
FY 15 Income	\$ 14,004	\$ 729,270	\$ 128,707
FY 15 Interest Earnings	\$ 21,637	\$ 24,883	\$ 3,727
Subtotal	\$ 35,641	\$ 754,154	\$ 132,434
State Fiscal Year Expenses			
FY15 Personnel Services	\$ (118,419)	\$ (69,766)	\$ -
FY15 Fringe	\$ (54,294)	\$ (32,952)	\$ -
FY15 Equipment & Expenses	\$ -	\$ -	\$ -
FY15 PSD Expenditures	\$ -	\$ -	\$ -
FY15 DNR Transfers	\$ -	\$ -	\$ -
FY15 ITSD Transfers	\$ (19,267)	\$ (11,459)	\$ -
FY15 HB 13 Transfers	\$ (7,847)	\$ (4,667)	\$ -
FY15 OA Cost Allocation	\$ (16,806)	\$ (9,995)	\$ -
FY15 State Owned Expenditures	\$ -	\$ -	\$ -
	\$ (216,634)	\$ (128,839)	\$ -
Subtotal	\$ (180,993)	\$ 625,315	\$ 132,434